

- (iii) The diversion of raw cotton in increased quantities to Mills in China, mostly under Japanese control, with a view to cutting down the cost of production *vis-a-vis* mills in Japan.

(2) *Hides and Skins*.—A very substantial decline in the import of hides and skins into Japan was registered in 1938 as compared with 1937. Of all the principal suppliers of these commodities to Japan India suffered the most, imports from India during 1938 declining by 91.1 per cent as compared with the preceding year. The most significant feature was an increase in Japan's purchase from the U. S. A. and Argentine. It is believed that this was due to the quality of American Hides and Skins which conform to the Japanese military requirements to a greater extent than others. Bull and steer hides of American and Argentine origin are most favoured by the Military Authorities on account of their thickness and largeness in size.

(3) *Leather*.—India is the principal supplier of tanned hides and skins to Japan. The figures for imports during the period under review show that Import and Exchange Control have wrought havoc with this trade. India's share fell by 68.3 per cent—from Y. 3.4 million in 1937 to Y. 1 million in 1938. Imports from U. S. A. and Germany, the two serious competitors in this line, showed a higher percentage decline. India's share in the 1938 trade was 58 per cent of the total.

(4) *Beans and Peas*.—India's trade in this line has greatly dwindled since the separation of Burma. Imports from India declined from Y. 3,234,000 in 1937 to 72,000 in 1938 or a fall of 97.8 per cent. This was mainly due to increased purchases by Japan from the yen-bloc, specially Manchoukuo which supplied more than 96 per cent of the year's total shipments. The most outstanding feature of the comparative statistics of the first quarter of 1939 and 1938 was India's phenomenal improvement in the former. While the total imports during the two periods remained almost unchanged India's share jumped from Y. 741 to Y. 40,422 in 1939.

(5) *Oilcakes*.—The prospects of marketing Indian oilcake in Japan are very limited as almost all supplies are obtained from the yen-bloc, principally Manchoukuo, which sent out 83.1 per cent of the total consignments of 1938. India's share was reduced from Y. 1,943,000 to Y. 47,000 in 1938, a fall of 97.6 per cent. There was no importation of this commodity during the first quarter of 1939 from India.

(6) *Pig Iron*.—It is understood that since the middle of 1937 publication of statistics relating to various kinds of metals and ores has been discontinued and in consequence figures for pig iron and iron scrap which are prominent in the import trade of Japan

Quotations of Cotton Yarn during the three decades of February, 1939.

20s Temple Yell.	20s Gold Flah.		16s 2 Decrs.		10s Semmen.		30s 2 Decrs.		32 1/2 2 Decrs.		42 1/2 Pheasants.		42 1/2 Crane and Deer.		60 1/2 White Yarns.	
	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
207	207	204	193	193	192	192	202	202	280	280	323	323	328	328	400	400
206	206	203	192	192	191	191	201	201	284	284	321	321	326	326	458	458
206	202	203	192	191	191	190	203	201	287	284	324	321	320	320	458	458

Quotations of Cotton piecegoods during the three decades of February, 1939.

Sheeting "Dragon U".	Drill "Geese".		Jeans "Face".		Heavy Shirting "Soldier".		Heavy Shirting "Mermaid".		44" Shirting "King".		44" Shirting "Compass".		30" Shirting "Gaucho".		Cotton Sateen Drill 5 Shafts 2 "Dragons".	
	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
6 00	6 00	6 25	4 75	4 70	6 00	6 00	6 00	5 90	7 55	7 55	5 75	5 65	11 00	11 00	0 100	0 165
6 00	6 00	6 25	4 75	4 75	6 00	6 00	6 00	6 00	7 55	7 50	5 70	5 60	11 00	11 00	0 100	0 100
6 00	6 00	6 25	4 75	4 75	6 00	6 00	6 00	6 00	7 50	7 50	5 65	5 60	11 00	11 00	0 100	0 100

Rayon.—The market continued to remain inactive. Consumption quotas for the domestic market and yen-bloc countries for the month of March were announced. These were fixed at 105,000 boxes. There was no change in the price which remain pegged at Y. 90·00. The prevailing price in February, 1938 was Y. 70·04.

Raw Silk.—Raw silk quotations continued to advance unchecked reaching Y. 1,030 per bale towards the end of the month which incidentally marked the highest record since June, 1933. Expectation of a shortage in supplies resulting from the improve demand in the domestic market and from a smaller cocoon crop were chiefly responsible for the sharp advance.

—	February, 1939.	January, 1939.	February, 1938.
	Yen.	Yen.	Yen.
Raw silk, Yokohama, average, spot, per bale .	952·88	864·55	704·67

Iron and Steel.—The market continued to remain inactive in anticipation of the approaching price cut. The shortage in supplies for civil use remained ever pressing.

—	February, 1939.	January, 1939.	February, 1938.
	Yen.	Yen.	Yen.
PIG IRON	89·00	89·00	88·50
Steel products, round bar, base . . .	213·00	213·00	235·00
Plate, 4'×8'× $\frac{1}{2}$ "	243·00	243·00	400·00

March, 1939.

The upward movement in the wholesale prices in the month of March showed down considerably, the index advancing by only 0·4 per cent, but was 13·3 per cent higher as compared with a year ago. Of the 76 commodities covered by the index, 11 declined and 18 rose. As in the previous months, the increases were confined almost exclusively to uncontrolled commodities.

Retail prices declined by 0·5 per cent, but they were still higher by 10·5 per cent above the level prevailing a year ago.

The index of cost of living advanced by 0.6 per cent for workers and by 0.3 per cent for salaried men and was 8.6 per cent and 8.2 per cent higher, respectively, than that ruling 12 months before.

	March, 1939.	February, 1939.	March, 1938.
Wholesale Price Index (December 10, 1931=100)—			
General	225.9	225.1	199.4
Domestic Commodities	173.2	174.8	151.5
International Commodities	237.8	236.6	210.2
Retail Price Index (November 15, 1931=100)—			
General	163.3	164.4	148.0
Foodstuff	149.7	151.7	139.5
Light and fuel	154.0	154.9	142.3
Clothing	209.3	210.5	182.6
Miscellaneous	167.2	165.5	147.7
Index of Cost of Living (July, 1937=100)—			
Workers	116.0	115.3	106.8
Salaried men	115.0	114.6	106.3

Raw Cotton.—Raw Cotton quotations generally firmed up during the month, specially in the case of American varieties.

Quotations of raw cotton during March, 1939.

S. Middling.		Middling.		Broach.		Akola.		Bengal.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
53.25	52.25	51.75	50.75	39.25	38.75	35.75	35.25	31.00	29.50
53.50	52.50	52.00	51.00	39.50	39.00	36.00	34.50	31.25	29.75
52.75	52.50	51.25	51.00	38.50	38.25	35.00	34.75	30.25	30.00

Cotton Yarn and Tissues.

Quotations for cotton yarn advanced in sympathy with higher raw cotton quotations, while prices of cotton tissues declined considerably.

Quotations for cotton yarn during the three decades for March, 1939.

20s Temple Pl.		20s Gold Fish.		16s 2 Decrs.		16s Sennen.		30s 2 Decrs.		32/2 Pheasants.		42/2 Crane and Decr.		60/2 White Phenix.		32/2 2 Decrs.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
210	207	207	204	106	103	195	102	208	205	328	325	333	330	403	458	201	258
210	206	207	203	100	101	105	100	208	205	328	325	333	337	405	463	201	258
207	206	205	203	103	101	102	100	207	205	327	325	332	329	405	465	200	258

Quotations for cotton piecegoods during the three decades of March, 1939.

Sheeting "Dragon C".		Drill "Geese".		Jeans "Face".		Heavy Shirting "Soldier".		Heavy Shirting "Mermaid".		41" Shirting "King".		44" Shirting "Compass".		30" Shirting "Gaeko".		Cotton Sateen Drill 5 Shafts 2 "Dragons".	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
6 00	6 00	0 20	6 05	4 75	4 70	6 60	0 55	..	..	7 50	7 45	5 60	5 55	11 00	11 00	0 100	0 100
6 00	6 00	6 05	6 05	4 70	4 65	6 55	0 50	..	..	7 45	7 45	5 55	5 55	11 00	11 00	0 100	0 100
6 00	0 00	0 05	6 05	4 65	4 55	6 50	6 35	..	..	7 45	7 40	5 55	5 54	11 00	11 00	0 100	0 100

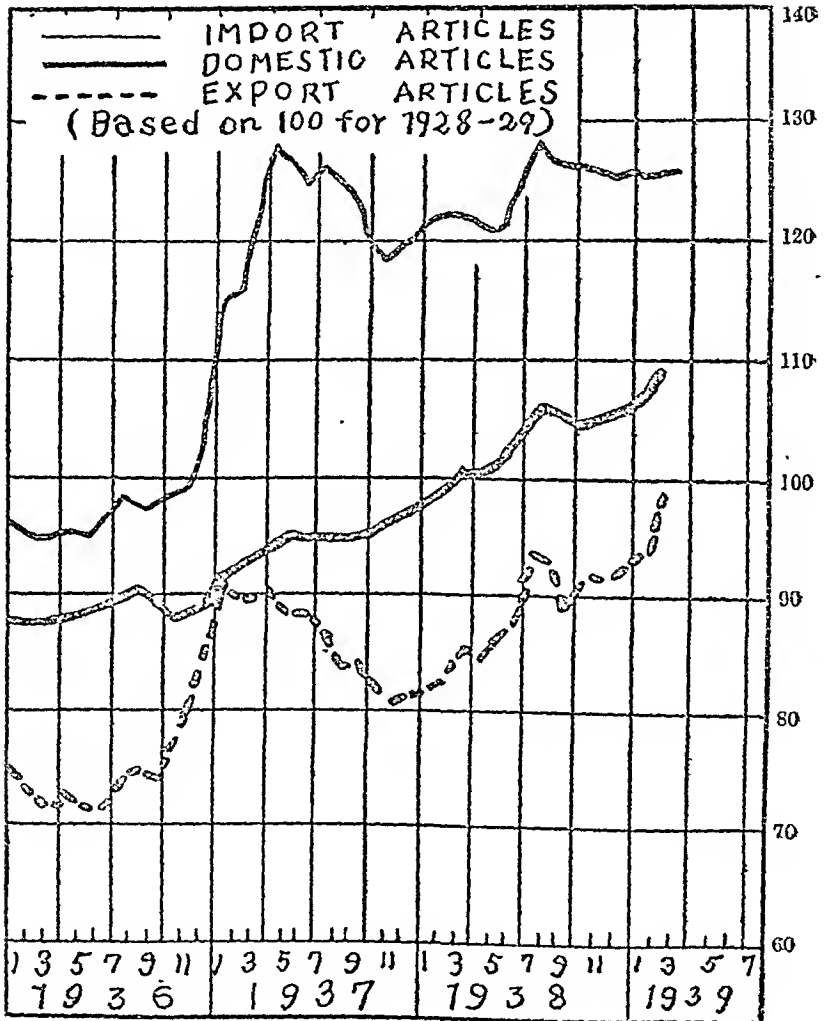
Rayon.—There was no change in the officially fixed price of rayon which remained at Y. 90.00 per bale as against Y. 74.52 per bale a year ago.

Raw Silk.—The raw silk market was subject to violent fluctuations owing to Government manipulation. In order to check the abnormal rise in price of silk tissues, the Minister of Commerce and Industry announced on March 7, that silk tissues and silk manufactures should not be sold at prices higher than those prevailing on January 10, 1939. As a result, price of raw silk declined sharply, spot quotation reaching Y. 970 on the 11th March as against Y. 1,080 at the beginning of the month. Towards the close of the month the raw silk market showed a weak tendency owing to business depression in the U. S. A. resulting from the uncertainty of international situation.

Iron and Steel.—There was practically no change in the price of iron and steel. The shortage in supplies continued to be acute.

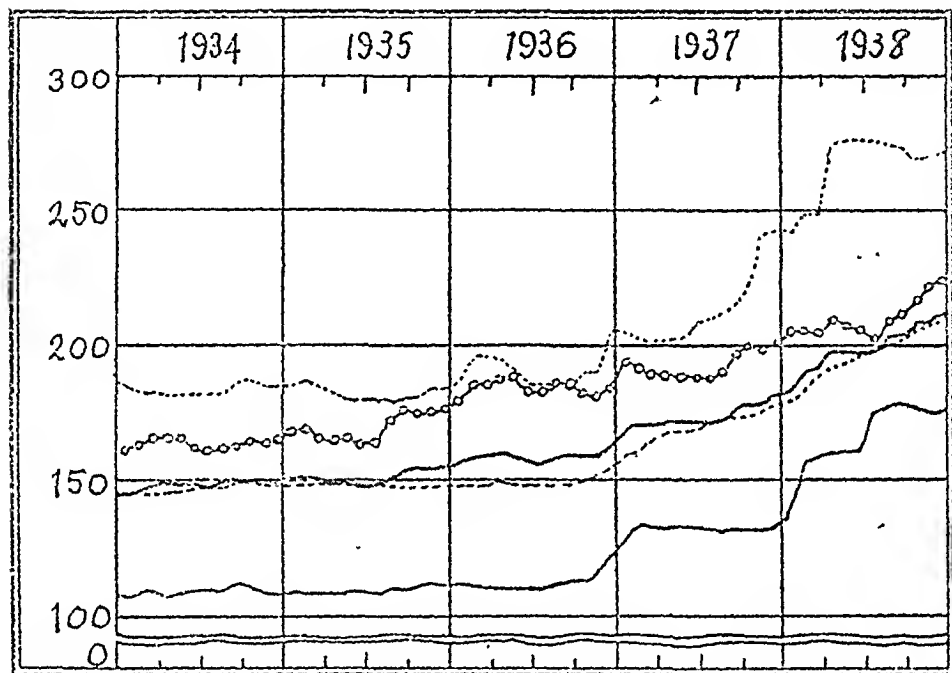
Per ton.	March, 1939.	February, 1939.	March, 1938.
Pig iron	89.00	89.00	88.50
Steel products, round bar, base . . .	213.00	213.00	221.67
Plate, 4'×8'× $\frac{1}{2}$ "	255.00	243.00	405.00

A COMPARISON OF INDEX NUMBERS OF IMPORT, DOMESTIC AND EXPORT GOODS' PRICES.



INDEX NUMBER OF RETAIL PRICES IN TOKYO

July 1911 = 100

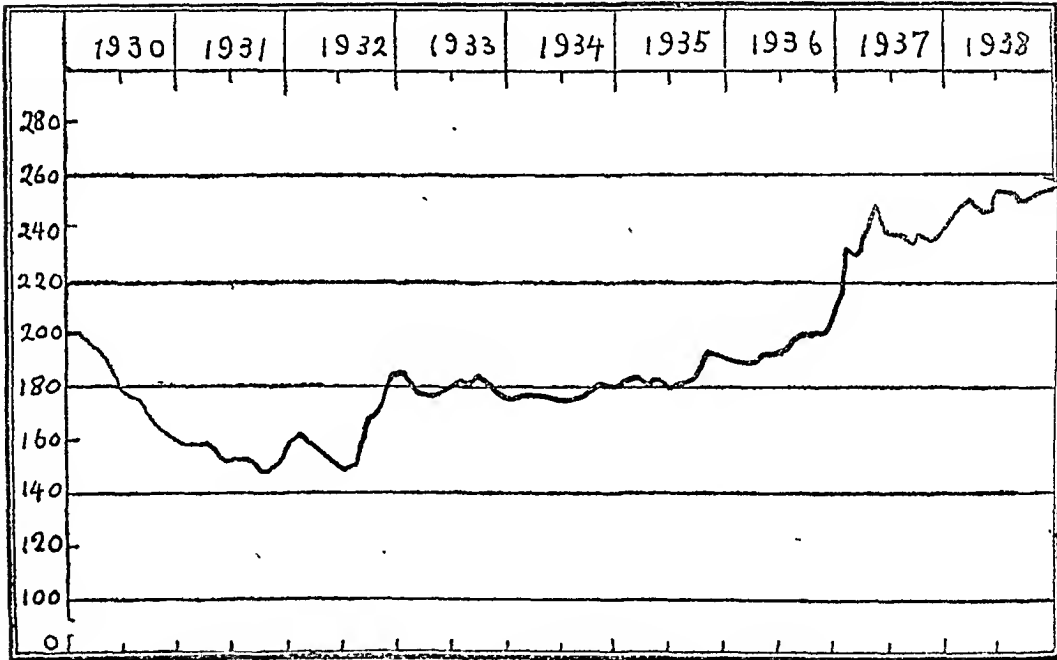


	Dec. 1938	Compared with Nov., 1938	Compared with Dec., 1937
		Per cent.	Per cent.
o—o—o Food . . .	224	+ 1.4	+ 11.4
— . — . — Fuel and Light .	271	+ 0.7	+ 11.5
— — — — — Clothing . .	173	+ 0.6	+ 32.1
..... Sundries . .	209	+ 1.0	+ 16.8
— — — — — Average . .	211.0	+ 1.0	+ 16.8

INDEX NUMBER OF AVERAGE MONTHLY WHOLESALE PRICES IN TOKYO

GENERAL INDEX

Oct. 1900 = 100



Dec., 1938 255.1 Compared with Nov., 1938 + 0.5 per cent.
 Compared with Dec., 1937 + 5.8 per cent.

CHAPTER VII.

INQUIRIES, CLAIMS, ETC.

Of a very large number of inquiries handled during the year under review, the following, selected at random, are the representative examples :

Hides and Skins, raw and tanned.—A Japanese firm at Yokohama desired to import leather from India, while two tanneries, one in Bengal and another in South India wished to get in touch with buyers of leather in Japan. A firm in the Punjab desired to be put in touch with likely importers of hides and skins in Japan. At present importation of these commodities is controlled through an Association and as Indian hides and skins are not much in favour with the Japanese military authorities because of their indifferent quality, there is little prospect of doing any considerable business with Japan in this line. A list of importers was, however, forwarded to this firm through the Director General of Commercial Intelligence and Statistics.

Pickles, Chutneys, Curry Powder, Condiments, Confectionery, etc.—Inquiries were instituted on behalf of a firm in India who were anxious to market their products in these lines in Japan. Names of prospective buyers were supplied.

Mica.—An Indian firm was placed in touch with Japanese importers of Mica. A local firm was also supplied with suitable names of exporters of Mica in India. Another inquiry was received from a representative of an Indian firm in Japan who desired to be introduced to likely purchasers of Indian mica. The representative was accorded all possible help in this connection.

Lacquer and Varnish.—A local firm was introduced to an exporter in India of lacquer and varnish and informed me that they were carrying on negotiations with the Indian party with a view to place an order for permanent periodical supplies.

Hessians and Gunnies.—An Indian firm who approached this office for establishing an agency in these products in Japan were furnished with names of a few reliable Japanese importers in the line and were asked to address them direct in the matter. A Japanese firm in Osaka was also supplied with names of Indian exporters of Gunny Bags.

Shellac, Gum and Rosin.—A prominent firm engaged in manufacturing paints in South Japan who were hitherto buying their raw materials from dealers in Osaka, approached this Office with a view to establish direct connection with reliable exporters of shellac, gum and rosin in India. They were supplied with a list of Indian exporters of these commodities. Another firm in Osaka were furnished with names of Indian exporters of shellac.

Indian Herbs and Drugs.—A firm in India who wished to be introduced to prospective buyers of Indian botanical herbs and drugs were supplied with a list of such dealers in Japan. A Japanese firm who approached through the British Consulate for names of suppliers of Indian herbs were also given the necessary information.

Lemon Grass Oil.—Inquiries were made on behalf of a South Indian firm who desired to market their lemon grass oil in Japan. Although much of the local demand is met from Formosa and it is difficult for an importer to

obtain a permit for importation of this article from a foreign country, names of established importers were duly supplied to the Indian firm.

Hide Cuttings, Hide Fleshings, Guts and Casings, and Animal By-products, such as Bones, Bone-meal, Hoof-meal, Sinews, Guano, etc.—An inquiry was received from an Osaka firm who were interested in the purchase of these articles from India. Necessary information was supplied.

Cutch.—An Indian merchant who wished to market this product in Japan was supplied with names of two Japanese firms who evinced an interest in this inquiry.

Cinchona Bark.—Names of prospective purchasers of cinchona bark in Japan were supplied to a firm in South India.

Woollen Yarns.—One of the well-known Osaka firms approached this office for names of likely buyers of woollen yarns in India. A list of woollen mills and woollen hosiery factories was furnished.

Celluloid Bars for Fountain Pens, Celluloid Goods, and Zinc Oxide for Paints.—A Calcutta firm desired to be put in touch with suppliers of these articles in Japan and was furnished with a few names. A Kobe firm was also interested in knowing the names of celluloid goods manufacturers in India, if there were any, and available information was supplied from the records.

Motorear Parts and Accessories, Chemicals, Papers, Bookbinding Cloth, Hardwares, Electric Wares and Cables, Paints, Colours, Distempers, etc.—A Bombay firm applied for introduction to Japanese manufacturers of these lines and a list of firms was forwarded through the Director General of Commercial Intelligence and Statistics.

Tubular Furniture.—A firm in Northern India who were interested in manufacturing tubular furniture in India requested to be furnished with names of exporters of pipes used for its manufacture. They also wished to have particulars regarding cost of production for setting up an up-to-date plant for making these chromium pipes as well as particulars of the machinery used. From inquiries which were instituted on their behalf it appeared that the installation of a plant for the manufacture of drawn pipes or tubes would require a large investment amounting to some million yen and that an estimate could only be prepared if information regarding the volume of work to be done, voltage of electric current available and other details were supplied. The Indian inquirer was however furnished with a list of exporters of tubular furniture.

Sericulture, Silk Weaving and Knitting, Manufacture of Baskets and Mats and of Mosquito Coils.—A Provincial Government in India was supplied at its request with information in regard to the running of these industries in Japan so far as information was available. In this connection I would point out that information of any kind about Japanese industries is difficult to obtain. Publications on these subjects are few and direct personal inquiries in the existing circumstances are actively discouraged by Government.

Natural Drinking Straws.—An inquiry was received from the Director General of Commercial Intelligence and Statistics requesting full details of the method of manufacture, uses, prices, etc., relative to the industry of natural drinking straws in Japan. Necessary information was furnished.

do not appear in the trade accounts. According to the Indian sea-borne trade statistics the exports of pig iron to Japan showed a slight improvement.

(7) *Shellac*.—Imports of shellac are not shown separately in the trade accounts of Japan. According to the sea-borne trade accounts of British India the entire quantity of shellac required by Japan is exported from Calcutta. The heavy decline which has occurred during the last two years in the imports of shellac from India is to be attributed mainly to the restrictive policy in regard to peacetime imports pursued by the Japanese Government since the outbreak of the China incident and partly to the utilisation of indigenous substitutes. Of the total imports of Indian shellac it is understood that 40 per cent is utilised for the manufacture of gramophone discs and the balance for lacquerware and manufacture of varnish. Substitute materials have been found for both these uses in compound vegetable gums. It is difficult to say at this stage if the substitutes would prove as satisfactory as shellac.

(8) *Mica*.—Japan has increased her off-take of Indian mica during the last two years. This commodity thus shares with pig iron the unique honour of having actually improved its position in Japan's import trade and for precisely the same reason, namely its usefulness for military purposes. Japan satisfies her requirements of mica to the extent of about 90 per cent from India, the balance being obtained from Canada, Chosen and Brazil.

6. During the period under review no trade fairs or exhibitions in which India could participate, were held in Japan. Show-cases containing representative samples of Indian products are, however, maintained in the office of the Indian Government Trade Commissioner, Japan. When conditions return to normal it is proposed to invite public inspection of these samples.

7. I again wish to record my appreciation of the work done by Mr. Saksena and his staff under difficult and trying circumstances. I also take this opportunity to acknowledge the assistance and co-operation given to Mr. Saksena by the official and semi-official bodies of the Government to whom he is accredited and by the British Commercial Embassy in Tokyo and the British Consuls-General in Osaka and Kobe.

I have the honour to be,

SIR,

Your most obedient servant,

J. V. JOSHI,

Offg. Director-General of Commercial
Intelligence and Statistics.

Muga Silk Yarn.—An important Chamber of Commerce in India wished to be furnished with names and addresses of likely buyers of muga silk yarn in Japan. A few suitable names of Japanese firms likely to be interested were forwarded with the remark that in view of the existing restrictions on imports the possibility of developing a market in this article in Japan should be regarded as remote.

Fruit Juice and Syrup, Sauce, Candies, etc.—Names of Indian manufacturers of these articles were also supplied to an Osaka firm.

Antimony.—A local firm wished to be put in touch with suppliers in India of antimony. The firm had secured from the Government a permit to import 100 tons of this commodity. A few selected names of Indian exporters were furnished.

Raw Cotton.—One of the leading foreign firms established in Japan approached this Office desiring to be put in touch with reliable suppliers of certain special varieties of Indian raw cotton. Some information was furnished to them and inquiry was instituted on their behalf in India.

Raw Goat & Sheep Skins, Still Born Lamb Skins, Scrap Iron, Rape Seeds, Walnuts.—A firm in Northern India desired to be put in touch with buyers in Japan of the above-mentioned Indian produce. A list of firms likely to be interested in this inquiry was forwarded.

Food Preservatives.—An Osaka firm approached this office for an introduction to condiments and confectionery manufacturers in India who would be interested in their food preserving products. A list of such manufacturers was supplied.

Chemicals, Camphor, Medicines, etc.—A South Indian firm wanted to be introduced to Japanese manufacturers of chemicals, camphor, medicines, porcelain tiles with engraved pictures, toys, etc., and were furnished with a list of suppliers of these commodities.

In response to an official request, information relating to imports of Indian raw cotton into the various ports of the Japanese Empire was collected and a *Report dealing with cotton cultivation and industry in China and Manchukuo* was prepared and sent to India.

Two Notes, one on the *Silk Textile Industry in Japan*, and the other on the *Staple Fibre Industry in Japan*, were prepared and sent to the Tariff Board in India.

An inquiry was received from the Department of Agriculture of a Provincial Government who desired to experiment with the *cultivation of Japanese rice, wheat and barley*. Information regarding their cultivation as well as samples of wheat and barley were sent.

Manufacture of Lead Pencils in India.—A Provincial Government in India desired to be furnished with a detailed and complete estimate for setting up a plant for manufacturing lead pencils in India, including quotations for the various types of machinery units available in Japan for such installation. They also wished to engage a Japanese expert to help them in establishing the factory and wanted to know the terms, etc., on which his services could be secured. Complete information on the various points was collected and forwarded to India.

The Director General of Commercial Intelligence and Statistics inquired on behalf of an important leather manufacturing company in India on the subject of restrictions imposed by the Government of Manchuokuo on goods imported into that country from India. On the basis of first-hand information obtained from Manchuokuo, the views of this Office in the matter were communicated to India.

Manufacture of Glazed Earthenware.—The Director of Industries of a certain Provincial Government forwarded a sample of Blue Ball clay which is used in manufacturing glazed china earthenware and requested to be put in touch with a wholesale dealer of this article. He also wished to know the names of reliable manufacturers of ceramic colours, machineries and other accessories used in producing porcelainware. All available information was supplied to him.

A certain Provincial Government desirous of developing the manufacture of glass or sand paper on a cottage industry scale in their Province, wished to know if particular types of hand-operated machines were available in Japan. Enquiries made at Tokyo and Nagoya as well as locally showed that hand-operated machines of the types required were either not evolved in Japan or were not manufactured on a commercial scale. One of the dealers explained that hand-made paper was produced with the help of simple implements such as gluing brush-sieves, etc., and that all that was required for producing such paper was experience and skill in the manipulation of these simple instruments.

Coir Mats and Mattings.—A Calcutta firm desired to be put in touch with buyers of these commodities in Japan. They were informed that importation of these articles into Japan was at present prohibited by the Japanese Government.

Alumina.—Some time ago an inquiry was received from the Director General of Commercial Intelligence and Statistics on behalf of a Calcutta firm who owned mining properties containing alumina and desired to be put in touch with importers of this ore in Japan. Extensive inquiries were instituted at this end and names of a few firms who evinced an interest were forwarded. The analytical report of the mineral forwarded from India showed that the content of alumina was only 20.06 per cent while it was reported that supplies from Korea contained this product to the extent of 50 per cent. Alumina in Japan is known as "meo-ban-seki" and is used chiefly in the manufacture of aluminium.

Sandalwood Oil.—A firm in Kanauj approached this office for introduction to prospective Japanese buyers of sandalwood oil. As a result of a local inquiry made in the market, several firms showed interest in the proposal and their names were forwarded to India.

Woollen Druggets.—A representative of a firm in India visiting Japan desired to get in touch with prospective buyers of Indian-made woollen druggets. Necessary help was accorded to him.

Asbestos.—A South Indian firm approached this office to put them in touch with importers of asbestos in Japan. A few firms showed interest in the inquiry although they stated that it was difficult to secure import license. Their names were forwarded.

Tin Tubes, Lead Tubes and Cellophane Tubes.—An Indian correspondent in Japan approached this office on behalf of a firm in India to supply him

with names of manufacturers of these tubes. Necessary information was furnished.

Plant for Manufacturing Bullock Nails.—Another firm in the Punjab desirous of purchasing a Bullock Nails manufacturing plant wished to be furnished with an estimate together with drawings of plant as well as with quotations. Enquiries were made but the manufacturers stated that it was not possible for them to prepare drawings of plant unless certain details such as power to be employed, volume of work desired, size of nails, raw materials to be used, etc., were furnished. A list of manufacturers of such plants was forwarded to the Indian firm.

Glass Bangle Trade.—For some time past repeated complaints were received in this office from merchants in India, and Japan, including the Southern India Chamber of Commerce, against alleged monopolistic activities of a Japanese syndicate in the matter of export of glass bangles to India. As a result of discussions held both with the Osaka Chamber of Commerce and Industry and the Glass Bangle Manufacturers' Association, the situation improved considerably and the difficulties experienced by the Indian merchants were minimized.

Bauxite.—A mining concern in Bihar who owned a Bauxite mine desired to market their product in Japan. Bauxite is at present mainly imported from Manchukuo, but as a result of inquiries made, a few names likely to be interested in the Indian Bauxite were forwarded to the Bihar firm.

Graphite.—A local Japanese firm desired to be placed in touch with reliable suppliers in India of graphite. They were furnished with a few selected names of Indian exporters and were asked to communicate with them.

Tungsten Ore.—Another inquiry was received from a Tokyo firm who desired to be placed in touch with exporters of Tungsten Ore in India. Available information was furnished to them.

Indian Minerals.—A Kobe firm desired to be placed in touch with exporters of various kinds of minerals in India. A list of such exporters was furnished.

Rubber Materials.—A firm in Delhi wished to be furnished with names of manufacturers of rubber materials. The information was supplied through the Director General of Commercial Intelligence and Statistics.

Textile and Hosiery Plants.—Another firm in Northern India desired to be introduced to manufacturers of woollen hosiery and cotton textile plants. Names of Japanese dealers in the line were forwarded.

Copper Wires.—An industrial concern at Agra wished to be placed in touch with the suppliers in Japan of a certain specified type of double silk covered copper electrical wires. The name of the manufacturers of the article was forwarded.

Electrical Goods.—Two inquiries were received from two firms in Western India who desired to be placed in touch with suppliers of electrical goods in Japan. The firms were furnished with names of such suppliers.

Looms for Weaving Tapes and Ribbons.—A firm in Northern India who wished to be placed in touch with manufacturers of looms for weaving tapes

and ribbons, etc., were supplied with the name and address of a firm who were specialists in the line.

Manufacture of Celluloid Articles.—A Provincial Government in India asked for information in respect of the manufacture of celluloid articles as well as for names of factories or institutions where training in the line could be obtained. Available information was supplied.

Glassware Manufacturing Machinery.—An Indian correspondent made an inquiry about various types of glassware manufacturing machinery. The addresses of glass machinery makers were supplied to him.

Jute.—The Director General of Commercial Intelligence and Statistics was supplied with a set of representative samples of jute grown in Formosa and Japan for transmission to the Indian Jute Mills Association as requested by the latter.

Old Iron and Steel Materials, etc.—A firm in Madras was interested in the export of second-hand rails, seamless steel, tubular poles, wire nails, screw nails, faggot steel and cement sheets (both plain and corrugated) and the names of prospective buyers of these articles in Japan were supplied to the Indian firm through the Director General of Commercial Intelligence and Statistics.

Wool.—The importation of wool is controlled by the Wool Import Association and import rights are enjoyed by the members of this Association only. The name of an Osaka firm who were willing to negotiate for import of Indian wool was supplied through the Director General of Commercial Intelligence and Statistics.

Apart from the trade inquiries, a large number of cases, involving settlement of claims, were handled by this office. Several inquiries relating to educational matters were also attended to.

CHAPTER VIII.

MISCELLANEOUS.

As will appear from the Chapter on "Commodities", the story of the export trade from India to Japan in the period under review is generally one of unrelieved gloom. A drastic shrinkage in the volume of exports from India, not entirely compensated for by a corresponding reduction in imports, is glaringly noticeable. The general decline in the import trade of Japan is clearly the result of the restrictive policy which the Government has pursued since the commencement of the hostilities in China. This alone does not, however, explain the much heavier shrinkage which has taken place in the exports from India as compared with exports from other countries. Apart from special features relative to each individual commodity which have been explained elsewhere in the report, the causes of the heavier decline in the Indian export trade are primarily two. In the first place, the bulk of Indian exports consists of raw materials for peace time industries and these have suffered an eclipse during the last two years on account of the relatively greater importance of heavy industries in war time. Secondly, it is unfortunately the case that exports from India consists of raw materials which Japan is able to replace, partially in the case of raw cotton, and almost completely in the case of certain other agricultural products by imports from

North China and Manchukuo, which with Japan constitute the yen-bloc. As imports from the yen-bloc need not be paid for in foreign currency there is the strongest incentive for substituting Chinese and Korean for Indian products. In addition, mention may also be made of the political factor. In Japan, practically all economic activity is inspired, if not directly controlled, by the Government and consciously or unconsciously the possibility of effective retaliation from other countries and regard for the sentiments of political friends and allies are generally important factors influencing the course of trade. So far as India is concerned, despite the fact that she is the largest single consumer, with the exception of China, of Japanese manufactures and the most important supplier of raw material for one of Japan's key industries, she is taken very much for granted. It is generally presumed that provided the prices offered are sufficiently low, it will always be possible to sell goods to India, and there is therefore no need to consider Indian susceptibilities on a basis of reciprocity in matters of trade. The consequence is that whereas Japan is selling goods to India to the limit of her capacity under existing conditions, she buys from India only when and to the extent that she must. The aforesaid tendency has been accentuated since the commencement of the China Incident as the centre of economic activity, through the enforcement of various control measures, has tended to shift from Osaka to Tokyo. The location of my office in Osaka is from this point of view a distinct handicap as it diminishes the degree of "awareness" of impending commercial activities of which advantage could sometimes be taken.

During the period under review no trade fairs or exhibitions in which India could participate were held in Japan, nor were conditions favourable for any kind of publicity work in the interests of the Indian export trade. A show case containing representative samples of Indian products is maintained in the office and it is proposed, when conditions return to normal, to invite public inspection of these samples.

No changes were made in the staff sanctioned for this office during the year under review, but on account of the shortage of male labour in Japan and the resultant rise in wages it was found increasingly difficult to fill the posts of two Messenger boys. The clerical staff has been found to be inadequate and it has not been possible to maintain up-to-date card indices or to collect and record market information.

I have in conclusion to express my thanks to the departments of Government, the Chambers of Commerce and other Trade Associations in Japan for the readiness and courtesy with which they have dealt with my requests and to express my grateful appreciation of the help and guidance which I have received from His Britannic Majesty's Embassy in Tokyo and the Consular Officers stationed in Osaka and Kobe.

R. R. SAKSENA,

*Indian Government Trade Commissioner
in Japan.*

OSAKA,

Dated the 30th August 1939.

APPENDIX.

The following statement shows Imports of raw cotton month by month during 1938 :—
(Unit: 100 Kln.)

Months.	Indian.	Turkish.	America.	Egyptian.	Africa.	Chinese.	Others.	TOTAL.
January	92,500	4,023	06,072	15,605	..	27,497	24,781	261,228
February	89,250	..	200,489	23,748	..	80,039	17,378	403,910
March	377,639	3,691	250,771	42,752	..	194,850	21,201	829,034
April	349,002	10,927	478,068	30,309	101	204,200	18,053	1,000,759
May	253,001	15,203	387,557	25,787	595	225,801	23,406	937,400
June	241,274	4,885	331,788	30,333	8,057	220,681	48,463	903,181
FIRST-HALF TOTAL	1,401,722	38,180	1,754,045	177,594	8,753	802,257	153,342	4,420,802
July	214,955	1,065	182,418	21,309	6,058	207,170	103,704	738,259
August	281,720	..	183,350	37,533	11,740	94,504	166,538	774,920
September	244,180	..	244,075	45,190	5,372	72,203	208,071	880,390
October	303,523	..	241,203	27,080	11,078	34,332	139,058	758,380
November	283,810	..	257,253	44,867	3,940	40,103	170,328	700,416
December	300,148	..	385,102	50,541	15,961	92,205	00,270	1,000,287
SECOND-HALF TOTAL	1,694,363	1,065	1,404,031	227,126	55,051	510,157	939,250	4,051,552
GRAND TOTAL	3,096,085	39,854	3,248,076	404,720	63,804	1,433,414	1,002,601	9,378,154

APPENDIX.

The following statement shows the price parity of the Indian with the American cotton in the Osaka market :—

	STRICT MIDDLING.			AKOLA.			Parity.
	Highest.	Lowest.	Average.	Highest.	Lowest.	Average.	
1038.	Spot.			May Shipment.			
April	54-00	51-75	52-875	39-75	33-75	36-75	69-5
	Spot.			June Shipment.			
May	53-25	49-75	51-50	37-25	31-75	36-00	70-5
	Spot.			July Shipment.			
June	53-75	49-00	51-375	38-25	32-25	35-25	68-6
	Spot.			August Shipment.			
July	55-50	52-50	54-00	38-25	36-50	37-375	66
	Spot.			September Shipment.			
August	53-00	51-00	52-00	37-25	35-00	36-125	66
	Spot.			October Shipment.			
September	51-75	50-00	50-875	36-00	34-25	35-125	64
	November Shipment.			November Shipment.			
October	51-25	52-00	53-125	36-75	35-50	36-125	64
	December Shipment.			December Shipment.			
November	51-50	53-25	53-875	37-50	35-75	36-625	70-3
	January Shipment.			January Shipment.			
December	53-75	52-25	53-00	38-00	36-50	37-25	68-1
1039.	February Shipment.			February Shipment.			
January	53-75	52-75	53-25	38-00	35-00	36-50	68-5"
	March Shipment.			March Shipment.			
February	53-50	52-50	53-00	36-00	34-75	35-375	66-8
	April Shipment.			April Shipment.			
March	54-75	53-50	54-125	36-00	35-00	35-50	65-6

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Report on the Work of the Indian Government Trade Commissioner, Osaka, during 1938-39.

CHAPTER I.

INTRODUCTORY.

This is the second Annual Report to be written on the work of the Indian Government Trade Commissioner in Japan since the office was established in May, 1937. It covers the financial year 1938-39. In addition to the Annual Report, Quarterly Reports are issued for publication in the *Indian Trade Journal* to cover the first three quarters of the year, a review of the last quarter being included in the Annual Report. So far as conditions prevailing in the first nine months of the year are concerned, this Report is thus largely a repetition, though in an abridged form, of the ground covered by the Quarterly Reports. The events in the last quarter have, however, been dealt with more fully, and an attempt has been made to present a composite picture for the whole year with a view to convey a correct impression of the predominant features. The general scheme is a simple one. The second Chapter deals with the economic conditions in general prevailing in this country in the year under review and the third refers to measures of direction and control enforced by the Japanese Government. A study of these two Chapters paves the way for the better appreciation of the more detailed information in regard to foreign trade, commodities and prices in the following three Chapters. The seventh Chapter contains a brief review of the principal inquiries dealt with during the past year, and the Report winds up with the eighth Chapter which deals with the office staff and other miscellaneous subjects.

The functions of the office of a Trade Commissioner have been stated in the various Trade Commissioners' Reports and elsewhere so often that it is scarcely necessary to reiterate them here. Some mis-apprehension, however, appears to exist in regard to the scope of his duties, and it would perhaps be useful to mention what he is not expected to do. The primary function of a Trade Commissioner is to help in the development of the export trade from India, and though he is not generally precluded from giving information in regard to exporters and manufacturers in the foreign country to which he is accredited, it is not a part of his duties to negotiate for the grant of agency rights to importers in India. Requests are frequently received asking this office to use its influence to secure agencies from Japanese manufacturers conferring on the applicant the sole right to market their products in India. These requests cannot be complied with. This office has also been frequently approached by Indian firms having their offices in Japan with requests to countersign Invoices in token of their correctness for the satisfaction of the Customs authorities in India. It has been explained to them that the Trade Commissioner cannot undertake this responsibility without the specific instructions of the Government of India. Mis-conceptions in this respect, however,

continue to persist, and cases have been reported to this office in which firms in India have asked their agents in Japan to obtain countersignatures on certificates in support of Invoices, and, to reinforce their application, have stated that the request was preferred at the instance of the Customs authorities themselves. The refusal to comply with these requests has been resented, and it is therefore necessary to explain that the Trade Commissioner is not authorised to verify the correctness of export documents of any kind. The attestation of signatures affixed on documents prepared in this country can be obtained on payment of a fee from the British Consulate concerned.

With regard to outstanding claims against Japanese merchants it has been decided that the office of the Trade Commissioner cannot receive money from parties in Japan in settlement of these claims and arrange for their remittance to India. In such cases, after the terms on which the claim would be settled, have been mutually agreed upon, it will be left to the Japanese merchant to apply for the necessary Exchange Permit, and, if the application is granted, to arrange for remittance of the amount due. It is extremely difficult under existing conditions to obtain Exchange Permits from the Japanese Government, and the probability therefore is that the Indian creditor will have to exercise patience and wait for the return of his money till conditions return to normal.

In the matter of settlement of claims, it must be emphasised that the Trade Commissioner cannot do more than negotiate. If the parties concerned are amenable to reason, a settlement is soon arrived at. If they prove obdurate or wish to evade their liabilities, all that the Indian merchant can do is to proceed against them in a court of law in Japan. Should this position arise, this office would assist the Indian firm to find a suitable and reliable lawyer to prosecute the case. The negotiations for the conduct of legal proceedings must, however, be conducted by the parties themselves.

In the preceding Annual Report, reference was made to the resignation of the Hayashi Cabinet and the appointment of Prince Konoye as the Premier. The Konoye Cabinet went through a process of re-shuffling thrice in 1938, once in May and again in June when General Ugaki, General Araki and Lieut. General Itagaki were appointed to the posts of Foreign Minister, Education Minister and War Minister respectively, and the Finance and Industry portfolios were amalgamated and Mr. Seihin Ikeda, Managing Director of Mitsui Bussan Kaisha, was appointed to assume charge of them, and for the third time in September when a serious difference of opinion as to the constitution and functions of a Central Board for China precipitated the resignation of General Ugaki, the Foreign Minister. The portfolio for Foreign Affairs was for the time being assumed by the Premier himself and later transferred to Mr. Arita. The September crisis undoubtedly weakened the Konoye Cabinet and perhaps paved the way for the resignation of Prince Konoye in January 1939, though ostensibly the resignation was tendered on the ground that the Cabinet had fulfilled the mission for which it was called into being. Prince Konoye was succeeded by Baron Hiranuma who had been President of the Privy Council. Another important change was the splitting up again of the Finance and Commerce portfolios with a separate Minister for each. The Hiranuma Cabinet, during the last quarter of 1938-39, continued to follow in the economic field the general policies and principles laid down by their predecessors.

CHAPTER II.

GENERAL ECONOMIC REVIEW.

The story of world economic conditions in the year 1938-39 was a record of ups and downs. During the first quarter of the year the downs had the better of the exchanges, but the ups showed up better thereafter and, but for a temporary eclipse in September due to extreme political tension in Europe, continued to be, with slight vicissitudes, the predominant influence till the end of the period under review. The causes of the slump which started in the United States in the autumn of 1937 and persisted till the middle of 1938 are shrouded in mystery, but the causes of the subsequent recovery are not far to seek. In the beginning, an upward trend of business activity was the result of depletion of stocks which led to a rise in commodity prices, but at a later stage the recovery was reinforced through increased public spending in the United States and the growth of expenditure on armaments in the United Kingdom and other European countries.

2. In Japan, wartime conditions and the resultant wartime control prevailed throughout the year, and the country was placed under economic quarantine regulations of such severity that it was only faintly responsive to world influences. The necessity for these regulations becomes apparent when account is taken of the prodigious demands upon the economic and financial resources of the country entailed by the China Incident. The 1938-39 budget for the General Account consisted chiefly of indirect war expenses required to enforce wartime regulations and amounted to Y. 3,511 million, an expansion of Y. 533 million or 12.9 per cent over that of the preceding year. The Extraordinary Military Expenditure for the same year worked out to Y. 4,532 million, a sharp increase of Y. 1,992 million or 78.3 per cent as compared with the preceding fiscal year, the total being Y. 8,047 million as compared with Y. 5,015 million for 1937-38. An annual budget of these dimensions was unprecedented in the history of Japan, but the worse was still to come. The budget estimates for 1939-40 provide for an ordinary expenditure of Y. 4,804 million, including supplementary defence and civil estimates of Y. 1,109.8 million. The War Budget, in addition, consists of Y. 4,605 million, the total amounting to no less than Y. 8,870 million. Expenditure during the next year is thus expected to set up a new record.

3. The expenditure during 1938-39 was met by the issue of national bonds to the extent of Y. 5,460 million, constituting 67.9 per cent of the total required, and by the imposition of the China Incident Special Tax which netted Y. 90 million, and a number of other newly created taxes, such as the dividend tax, bond and debenture interest tax, transit tax, admission tax and commodity tax which made up the balance. During the next year it is proposed to borrow Y. 5,650 million. Of the total war expenditure since the commencement of hostilities, roughly 91 per cent has been obtained by means of loan issues. In order that bonds for such enormous amounts may be smoothly assimilated, it is essential that the national savings should be adequate for the purpose. A form of compulsory saving has therefore been introduced, and a nation-wide thrift and savings campaign has been launched with the ultimate objective of raising annual accumulated savings to Y. 10,000 million, the Y. 8,000 million mark is reported to have been touched in 1938-39.

4. With a view to enable the people to effect these savings, it has been found necessary to adopt measures to increase domestic productivity and to cut down domestic consumption. The mere accumulation of savings and their eventual transfer to the coffers of Government in exchange for national bonds is, however, not sufficient to meet the exigencies of the situation. It does not solve the infinitely more difficult problem of providing surplus foreign exchange for the purchase abroad of munitions and military stores. The only help the policy of thrift and investment in national bonds renders in this direction is that it prevents the inflation of currency which must otherwise follow on the heels of the enormous Government disbursements from day to day, and is, to that extent, responsible for checking a rise in internal prices which would be fatal to the development of the export trade. Apart therefore from economy of consumption, supplementary measures of a far-reaching character have been brought into force with a view to adjust the foreign trade. Before passing on to a fuller consideration of these measures, it would be instructive to review very briefly the economy conditions which prevailed during the year under review, leaving detailed examination of trade figures to a later Chapter.

5. By the end of March 1939 the Sino-Japanese conflict had lasted for nearly 21 months, but no visible signs of distress could be observed in the daily lives of the people. There was a plentiful supply of rice and fish which constitute the staple diet of the Japanese available everywhere, the markets were well-stocked with fruit and vegetables and dairy products and the prices were generally well-controlled. Restrictions had been imposed on the use of certain specified articles, but these, with the exception of textiles, scarcely touched the lives of the common people. The restrictions on the use of rubber manufactures, *e.g.* tennis and golf-balls, rubber tyres and tubes and shoes, on building materials, *e.g.* iron and steel, timber, etc. and on leather goods, caused some inconvenience, but nothing more. Foreign wines were allowed import in very limited quantities, and the prices consequently soared up to three times what they were before the Incident. Some of the wines disappeared from the market altogether. But here, again, the restrictions interfered perhaps with the conviviality of the rich man's parties, the ordinary factory or office worker had still his *sake* and home-made beer to fall back upon. The rationing of gasoline hit hard the private owners of automobiles as the quota was gradually reduced to 15 gallons for the month, but in the case of taxis it eliminated the nuisance of the "cruising taxi", and in the case of buses led to rationalisation of routes and timings which has minimised waste without causing curtailment of transportation facilities to the point of absolute inconvenience. The public have complained, and with justification, only in the case of compulsory substitution of cotton by staple fibre goods. The worthlessness of these materials has been amply demonstrated, and many stories are current illustrative of the contempt in which they are held, a particularly happy one referred to the experience of a bather who, while wiping his body with a staple fibre towel, discovered to his amazement that the towel had mysteriously disappeared! There can be little doubt that when normal conditions are restored, King Cotton will re-occupy the position of pre-eminence in the domestic economy of Japan which he held before his dethronement.

6. The scale on which hostilities are being waged in China makes some deterioration in the standard of living unavoidable, but it has not been such as to excite comment. It is true that the indices of retail prices and the cost of living rose by some 16 per cent in the course of last year, while the index of wages advanced by less than 10 per cent. But the index of wages is misleading, as it is based on crude average earnings which would necessarily be reduced by the ever-increasing entry of untrained new-comers into industry. The actual income of skilled workers was still far ahead of the increased cost of living. Department Store sales were rising and their year-end sales reached a record total. The cash income of the farming community was also on the upgrade, and there was no dearth of consumer's purchasing power. Some substitution of male by female labour has taken place as, outside the field of heavy or wartime industries where labour forces have been concentrated, there was a growing scarcity of male labour.

7. Production has also been affected by the demands of war. It was intensified in the heavy industries while light industries curtailed operations drastically owing to raw material difficulties. This was the direct result of the enormous war expenditure which created a demand for capital equipment to increase productivity in connection with the munitions and allied industries. At the same time, the phenomenal increase in the demand for capital could also be attributed to the effort to develop industrially Manchoukuo, North and Central China. It was, however, no part of Government policy to allow unrestricted expansion of industrial activity, and the Capital Control Law was therefore strengthened to divert capital investment into the desired channels. Capital funds, for the employment of which licenses were issued during 1938, amounted to Y. 2,823 million of which 67.90 per cent went into industrial enterprises, 14.3 per cent into mining and 10.3 per cent into transportation. Of the sum allocated to industry, "A" Group comprising war industries consumed 70 per cent, "B" Group 25 per cent, and "C" Group comprising industries most distantly related to wartime requirements 5 per cent. Promotion and expansion of the fibre industry was rigidly controlled. The business result of the Japanese Companies during the year March 1938 to February, 1939, based upon the financial reports of 350 companies, give a fair idea of the financial condition of business enterprises in the country. As compared with the second half of 1937 (September to February), the total net profits of these companies in the first half of 1938 increased from Y. 522.9 million to Y. 556.2 million, a rise by 6.4 per cent. During the second half of 1938 (August to February), the net profits increased further by 7.4 per cent as compared with the preceding half year. The total payment of dividends of the 350 selected companies increased from 8.6 per cent in the second half of 1937 to 8.7 per cent during the next six months, and advanced further to 8.8 per cent in the latter half of 1938. The Government has taken vigorous steps, legislative and otherwise, to encourage and compel the increased production of minerals, machinery and arms and ammunitions, while private enterprise has similarly made efforts to develop heavy industrial production.

8. It may be admitted, however, that this rosy picture shows only one side of the shield. Whereas the bigger manufacturing interests engaged in large-scale industries, specially those connected with war materials or producers' goods, have enjoyed a boon, the smaller producers and businessmen

who have hitherto formed the backbone of Japanese industry and commerce have been adversely affected, and are being steadily squeezed out. The producers of consumers' goods have also been neglected and have had to curtail production. This is brought out very clearly in the volume index of industrial production which shows that, whereas in the case of consumers' goods the average for 1938 declined to 125·7 as compared with 136·5 for 1937, in the case of producers' goods it improved to 220·4 as compared with 197·9 for 1937 (monthly average 1931-33=100).

9. In spite of the increased industrial activity to which reference has been made, the stock market in Japan during the year under review was anything but buoyant. Heavy industrial stocks and munitions shares suffered from a bear raid and even peace-time issues showed a tendency to sag. According to the "Oriental Economist", the average daily quotation of 30 industrial issues, which it investigated, declined from Y. 96·40 at the end of 1937 to Y. 76·50 at the end of 1938, improving only to Y. 80·80 in March 1939. Classified into heavy industrials and other industrials, the average prices at the end of 1937 were Y. 100·70 for the former group and Y. 94·80 for the latter, but at the end of 1938 their positions were reversed, the heavy industrials having fallen to Y. 74·60 and the others only to Y. 77·20.

10. Officially the Yen was pegged to the sterling at 1s. 2d. and the co-operation of the foreign exchange banks with the Yokohama Specie Bank helped to stabilise the Yen at this level. The fluctuations of sterling in relation to the United States dollar however produced similar reactions on the value of the Yen, but in respect of other currencies moving in sympathy with the sterling no appreciable changes were recorded. The rate on Bombay which remained pegged at Rs. 77=Y. 100 from April 1937 to January 1938, culminating in a further fall in February and March to Rs. 76·87, firmed up in April 1938 and continued to exhibit a strong tone against the Rupee till the end of January 1939. In the following two months, the Yen again weakened, the average rates being respectively Rs. 77·97 and Rs. 77·86. The Yen in foreign markets, however, suffered a substantial fall in value. This was due to the fact that a large number of Yen notes, roughly estimated to be of the face value of several hundred million, had found their way into China and were sold in the foreign markets in exchange for foreign currency for what they could fetch. For the greater part of the year, the value of the Yen outside Japan was round about 8d. In Japan the sale of foreign currency or drafts at a rate other than the official rate was prohibited, and strict control was exercised over money changers and brokers. The Exchange Control Law of the country was further revised during the period under review. The most important revisions were announced on October 8, 1938, providing for the immediate introduction of the following stipulations, amongst others :—

- (a) From October 15, exchange brokers were not allowed to buy or sell foreign currencies or travellers' cheques without the permission of the Minister of Finance.
- (b) The free remittance of foreign exchange which was previously allowed to a person up to a limit of Y. 1,000 within one year was reduced to Y. 100 in a year. Similarly, the free limit of exporting Japanese and foreign currencies was reduced to a

DEPARTMENT OF COMMERCIAL INTELLIGENCE AND
STATISTICS, INDIA, CALCUTTA

REPORT

ON THE

**WORK OF THE INDIAN GOVERNMENT TRADE
COMMISSIONER, OSAKA**

DURING 1938-39

BY

R. R. SAKSENA, Esq., M.A., B.Sc., LL.B.



value equivalent to Y. 100. The export of Japanese and foreign currencies was made subject to permits obtainable from the Government, excepting in the cases of travellers' expenses and expenditure of Government Offices. Persons desiring to take Japanese or foreign currencies abroad, were required to declare the amounts to Customs houses at the time of embarkation, while it was prohibited to carry or send abroad Y. 100 notes without the permission of the Finance Ministry.

The divergence in the official rate in Japan and the market rates outside Japan was, however, so great that it gave rise to a currency racket on a large scale. A number of prosecutions were launched, and some Indian firms also are believed to have been involved.

11. In the foregoing paragraph an attempt is made to give a bird's eye view of internal economic conditions in the country in 1938-39. The way is now paved for an examination of the general policy of the Government and of the measures adopted in pursuit of that policy. The basic principles accepted by the Government may be classified as follows :—

- (1) To lower prices by adopting a standard or official-price system and by intensifying measures for exercising economy in consumption and for controlling distribution, to take urgent steps to curb further rises in prices of articles, to assure an adequate and regular supply of munition materials, to promote exports, to safeguard the economic life of the nation, and to maintain the present rates of exchange.
- (2) To exercise economy, so far as possible, in consumption of commodities, specially those imported from foreign countries in respect of which measures dealing with restriction or prohibition of their use, or compulsory use of substitutes in their place should be adopted. This particularly refers to the consumption of materials for non-urgent purposes and for home consumption and not to materials required for export trade.
- (3) (a) To ensure imports of raw materials for export goods by linking the export of manufactured articles to the imports of the equivalent raw materials and by other means,
 (b) To prevent the diversion of raw materials for export goods to home consumption, by distinguishing between imported materials for export goods and those for home consumption.
- (4) To foster commercial, industrial and other associations ("KUMLAIS") for the purpose of ensuring adequacy, avoidance of waste, impartiality and smoothness in the importation and distribution of essential materials.
- (5) To promote and inculcate the habit of saving in the people.
- (6) By the joint endeavours of Government and people, to foster simple modes of living and social customs which can be adopted in time of emergency.

- (7) To carry out stringent measures for increasing the production of essential materials, particularly minerals.
- (8) To take necessary steps for the promotion of efficiency in the munition industry, such as the adoption of the shift system and the rapid recruitment of workers.
- (9) To make organised efforts to collect waste materials through the co-operation of various organisations.
- (10) To carry out measures facilitating changes in occupations and giving relief for unemployment caused by such changes.

12. In pursuance of the basic principles outlined above, attention was first directed to the textile industry, the pivot of Japan's foreign trade, constituting as it does almost half of the total export trade of the country—the percentages in relation to total exports in 1936, 1937 and 1938 being 50.5, 50.3 and 44.9 respectively. On February 12, 1938 the entire industry was placed under a license system. Government permission was necessary for the installation of any new equipment for the manufacture of cotton, woollen, rayon or staple-fibre textiles, and the Government had the right to ban the installation of any new or additional equipment costing more than Y. 100,000. The object was to prevent mill-owners from installing new equipment with a view to claim larger allotments of raw materials.

13. The Government then introduced plans to adjust imports of raw cotton with exports of cotton textiles under which the manufacturers were prohibited from selling in the domestic market goods manufactured for export. This was what came to be called the "link system" which was first applied in respect of raw wool and woollen goods. The system has been described in my Report for the year 1937-38. The working of the system revealed various defects, and it was subjected to harsh criticism as it failed to stimulate the textile trade. Under the system, the exporters of cotton manufactures were compelled to ship their goods within three months, and as the period drew to a close, many were forced to cut their prices drastically in order to dispose of their stocks. At the same time, the manufacturers paid more attention to the weaving of cheap grey cloths or cotton yarn which could be sold quickly. This resulted in marked increase in the grey cloth and cotton-yarn exports, but these commodities being of much less value than finished cloth, a gain in quantity was compensated for by a sharp drop in value. Besides, many of the small industrialists were hard hit through the operation of the link system.

14. Various proposals were examined by the Government to remedy the above defects, but in respect of cotton textiles only minor changes were introduced. In January 1939, the system was extended and twenty-four new commodities were brought under its scope. When goods designated by the Ministries of Finance and Commerce are to be exported to regions outside the yen-block, exporters or manufacturers are required to obtain certificates from the Prefectural authorities, authorising them to import raw materials for such export commodities. Thereafter these certificates are submitted to the Finance Ministry who then grant the necessary Foreign Exchange Permits. In special cases, these Permits may be transferred to third parties. Other noteworthy features of the revision of the link system relate to the substitu-

tion of value for quantity in computing exports and imports and to the extension of the time between importation of a raw material concerned and exportation of the respective finished article from three months to a longer period.

15. Several other counter-measures were adopted by the Government to arrest the waning tendency of the country's export trade. In March, a scheme known as the bonded factory system was launched under which bonded factories were allowed to obtain import licenses with special facility in case they desired to import the articles concerned with the object of reshipping them as manufactured goods. Many big concerns took advantage of this facility.

16. Another important measure to boost up export trade was the creation of a Foreign Exchange Fund in August which permitted 300 million yen, out of the 800 million yen specie reserve in the Bank of Japan, to be set apart specifically with a view to facilitating the financing of raw material importations required for the manufacture of export goods. The Government also made certain "allowances" for the importation of raw materials for manufacturing miscellaneous goods for export.

17. The existing "export compensation system" which was described in the last year's Annual Report was also enlarged in scope, and the Government undertook to indemnify banks for losses resulting from loans advanced to exporters to all parts of the world market as well as to compensate all such manufacturers and exporters who had already incurred losses under the system.

18. One of the most outstanding developments of the year under review was the creation of what is known as "the yen bloc" comprising such territories as Manchoukuo, the Kwantung Leased Territory and the parts of China over which Japan at present exercises some measures of currency control. For purposes of foreign trade, the territories in question were brought under a single hegemony. There was a rapid development of a flourishing foreign trade to these territories, but the steady flow of goods much in excess of imports caused some alarm in the financial circles. In her present position Japan is sorely in need of foreign exchange; but the "yen-bloc" trade, being more in the nature of an internal trade, makes no contribution to the Government's purchasing power in foreign countries. Japan Proper's export excess to the "yen-bloc" territories during 1938 amounted to Y. 601 million as against Y. 353 million in 1937, constituting respectively 43.3 per cent and 24.9 per cent of the country's total exports. In view of the fact that the outflow of goods to the yen-bloc failed to achieve the object of promotion of the country's foreign trade, the Government introduced certain measures severely restricting exports to these territories. Under the original "link system", considerable difficulty was experienced by the manufacturers in disposing of their goods within the three-month limit, and had offered brokers easy profits on quick shipments. This was contrary to the Government's policy, and orders were issued to the various textile associations concerned to cancel all contracts for shipments to these regions. At the same time, shipments of cotton goods to North China for the period from June 1 to December 31, 1938 were limited to Y. 46 million. Later on, further measures were adopted in order to curtail the yen-bloc trade.

CHAPTER III.

ECONOMIC LEGISLATION.

A most important piece of legislation to which reference was made in the last Annual Report was the National General Mobilisation Law which could be invoked to bring under State control every form of national activity. During the year under review the Imperial Diet in its 74th Session placed 89 measures on the Statute Book most of which were intended to strengthen the existing laws. Supplementary ordinances were promulgated, in addition, to give executive sanction to certain control measures.

2. Among economic legislation, enactments for enhancement of the productive capacity claimed the largest share. As regards Agriculture, the Rice Distribution Control Law providing for placing distribution of rice in the hands of licensed dealers, the Forestry Law amendment prohibiting the felling of young trees and encouraging the development of forests through stricter control, the Dairy Adjustment Law designed to establish fair trading conditions and bring about the healthy development of the livestock industry, and the law referring to the Export Control of Taiwan rice are important. In mining and metal industries, the Imperial Mining Development Company Law providing for the development of mineral ore resources, excluding gold, and the Light Metal Manufacturing Industry Law passed with the object of establishing large-scale metal (principally aluminium and magnesium) industry in Japan for the purpose of national defence and general progress of industries may be mentioned. In Transportation and Communication, the Japan Aeronautical Transportation Company Law aims at achieving the rapid expansion of aeronautical transportation in Japan, Manchoukuo and China, the Shipbuilding Industry Law provides for an increase in the supply of vessels at low cost and the maintenance of adequate shipbuilding capacity from the viewpoint of national defence and an Amendment to the International Electric Communication Company Law is designed to enlarge the activities of the Company and provides for the grant of subsidies and strengthening of Government supervision. The promotion of production is rendered possible through financial assistance to industrial companies. This is provided in the Amendment to the Temporary Fund Adjustment Law raising the limit of bond issue of the Industrial Bank of Japan from Y. 500 million to Y. 1,000 million and the limit of savings bonds of the Hypothec Bank of Japan from Y. 200 million to Y. 500 million and in the Amendment to the Gold Production Law which authorises Government to make compulsory purchase of gold.

3. The main objective of some of the other laws is to strengthen Government control. The amendment to the Industrial Association Law which authorises Government to appoint or dismiss Directors and Inspectors of industrial associations, and to protect the small industrialists through the formation of similar co-operative industrial associations and the amendment to the Insurance Business Law of 1900 authorising Government to order a change in business methods, and a revision of insurance contracts for the greater benefit of the insured are examples of this type of legislation. Other measures tending to relieve the burden of the emergency and to promote national welfare are the Office Workers Health Insurance Law providing for insurance of office workers by Government and associations on payment of insurance premium by the employer and the employee in equal proportion and the Personal

Affairs Arbitration Law providing for the arbitration of family disputes by a committee appointed by the district court.

4. The tax legislation passed provided for increased revenue for the Treasury at the same time encouraging expansion of productive capacity through exemptions from taxes. Five taxes—the Dividend Tax, the Tax on Interest from Loans and Debentures, the Non-alcoholic Beverages Tax, the Sugar-Excise Duty and the Stamp Duty—were increased from 10 to 50 per cent. Commodity Taxes, especially on articles of luxury, such as fur, automobiles, alcoholic beverages, toys, etc., were similarly enhanced. In addition, two taxes, a Building Tax and a Restaurant Tax were imposed, the former to be levied on buildings costing more than ¥. 10,000 and the latter on payments for entertainment by Geisha Girls and on accounts above ¥. 5 at restaurants. The tax rates on excess profits were advanced from 30 per cent to 40 per cent for corporations and from 20 per cent to 25 per cent for individuals. By the revision of Temporary Tax Relinquishment Law investment of reserves amounting to more than 40 per cent of normal profits wholly or partly in expanding productive activity or in certain specified divisions entitles the juridical person concerned to a reduction of the ordinary income-tax by 20 per cent and when equipment is newly provided the income-tax and business profits tax on profits from this source are exempted for four years.

5. Some of the other important Acts and Ordinances are described below:—

- (1) *Law Concerning Temporary Extension of the Maximum Limit for Issuing Convertible Notes Against Securities by the Bank of Japan.*
- (2) *Law Concerning Adjustment and Co-ordination of the Transportation Business.*

(Law No. 71 of April 2, 1938.)

With its rapid growth in recent years, the overland transportation industry in Japan has in many instances manifested a lack of co-ordination entailing cut-throat competition amongst the various units. This law is intended to adjust this state of affairs, removing waste and inconveniences and hastening the healthy development of the companies concerned. When the competent Minister intends to control and co-ordinate the activities of the traffic companies, including the local railways, tramways, motor services and other allied companies, as may be designated by Imperial Ordinances, he shall on the recommendation of the Transportation Adjustment Committee, determine the scope of the adjustment to be effected, the kind and nature of business to be subjected to co-ordination and the adjustment and disposition of the auxiliary industries. The Minister shall thereupon advise owners to combine or create companies, or shall order other steps to be taken. The owners, on receipt of such instructions or orders, shall enter into agreements amongst

themselves subject to official approval and carry them into effect. In the event of any difficulty arising in carrying out the terms of the agreements, the matter may be submitted for the arbitration of the competent Minister.

(3) *Imperial Ordinance Concerning the Price Commission.*

(Imperial Ordinance No. 276, promulgated on April 22, 1938, and Amending Ordinance No. 36 of March 1, 1939.)

Since the outbreak of the Sino-Japanese conflict, a large number of instances of corruption, profiteering and undue inflation of prices were detected. Through the promulgation of the above Ordinance, the Government constituted a powerful advisory body known as the Price Commission whose primary function has been to investigate into the prices of the various commodities and recommend measures for their proper adjustment as well as to fix standard prices. Affiliated to the Central Price Commission established within the Department of Commerce and Industry at Tokyo are a number of local Price Commissions set up at different centres all over the country. The Central Commission is composed of members appointed from senior officials of Government institutions and experts from the trade. The most important task of the Central Commission has been to make recommendations regarding concrete measures for curbing price increases. In its operation, the Commission is sub-divided into a first special committee which investigates and studies common measures to be applied to various materials and a second special committee which takes up measures to be applied to different materials specifically. Accordingly, the first special committee studies concrete measures for the adjustment of general and State consumption of commodities, ensures their supply and improvement of distribution and transportation and looks into other cognate matters concerning the basic factors of the Government's price policy. The second special committee works on the selection of specific goods to which price measures should be applied under the existing market conditions, on the selection of expert committees and also on policies regarding the fixing and standardising of prices as well as their execution, supervision and control. It also deals with the various local Price Commissions which function in every Prefecture under the Chairmanship of the Prefectural Governor concerned. The local commissions study the special problems of the localities and carry out the instructions of the parent body at Tokyo.

(4) *Imperial Ordinance Concerning Organisation of the Temporary Materials Adjustment Bureau.*

(Imperial Ordinance No. 324, promulgated on May 9, 1938.)

The Ordinance creates an official body known as The Temporary Materials Adjustment Bureau with a view to ensure adequate supplies of materials for purposes of national defence. The Bureau conducts surveys and formulates plans for a proper adjustment of demand and supply of essential commodities and sees to the smooth running of national economy. The Minister of Commerce and Industry is the ex-officio Chairman, while the Vice-Chairman is appointed by Imperial nomination from senior officials.

(5) Ordinance Creating a Temporary Planning Bureau in the Department of Agriculture and Forestry.

(Imperial Ordinance No. 748 of December 3, 1938.)

In view of the urgent need of securing adequate supplies of the principal agricultural, forest and marine products, this Ordinance creates a Temporary Planning Bureau within the Department of Agriculture and Forestry, the function of which is to formulate plans for the maintenance and expansion of agricultural industries, to attend to the supply of such goods as are needed in connection with the operation of those industries and to attend to the adjustment of labour.

The following table summarises in a convenient form the objectives of Government, the steps they took to achieve those objectives and the legislative sanctions invoked for their execution :—

Purpose.	Government actions.	Legal Measures.
Defraying war expenses (Y. 7,400 million).	Bond issues (Y. 6,700 million) Encouragement of savings, Tax increase (Y. 400 million). Transfers from special accounts (Y. 100 million).	None.
Increasing production of war materials.	Expansion of national productive power (principally in mining and heavy industries).	The Temporary Capital Adjustment Law; Iron Industry Law; Oil Industry Law; Law concerning Artificial Petroleum Industry; Law concerning Development of Petroleum Resources; Law for Increasing Production of Important Minerals; Airplane Industry Law; Automobile Manufacturing Industry Law; Constructional Machinery Industry Law.
Maintenance and improvement of international balance of payments.	Trade control; Foreign Exchange Control.	Foreign Exchange Law; Law regarding Temporary measures dealing with Imports and Exports; Temporary Import and Export Permit Regulations.
Increasing the nation's purchasing power in respect of foreign goods; maintenance of foreign exchange and the international value of currency.	Promotion of export business; Foreign Exchange Fund system; Linking of importation of raw materials to the exportation of manufactured goods; Utilization of bonded factories; System to advance export funds; Increase of receipts in invisible trade; Encouragement of gold production; Concentration of gold in the hands of the Government; Regulations against Profiteering.	Exchange Control Law; Gold Production Law; Law Concerning the Japan Gold Production Company, Limited; Regulations restricting the use of gold.
Restraining rises in commodity prices; Stabilisation of the living conditions of the people.	Checking the upward movement of prices; Creation of a Price Commission; Creation of a Price Adjustment Commission; Introduction of a Standard Maximum Price System; Introduction of an Official Price System; Introduction of a Net Price System; Creation of Economic Police Force.	Ordinance controlling Profiteering; Law regarding Temporary Measures concerning Imports and Exports; Ordinance concerning Price Commission; Ordinance concerning Price Adjustment Commission; Regulations regarding prices of:— Cotton yarn, Staple fibre, & Staple fibre yarn, & Rayon yarn. Measures relating to fixing of leather and hide sales prices under the provisions of Article 9 of the Leather Distribution Control Regulation.

Purpose.	Government actions.	Legal measures.
Relief to the unemployed and persons who have been forced to suspend business on account of restriction on importation and use of raw materials and other goods.	Relief measures for persons who have been forced to change their occupations; Unemployment relief measures; State management of employment offices.	None.
Replenishment of labour supply required for production of war materials.	Restriction on employment of school graduates; Training of skilled workers.	Article 6 of the National General Mobilisation Law.
Safeguarding adequate supply of war materials.	Restriction on and prohibition of use of commodities; Control of distribution of goods; Enforcement of the above by the Economic Police; Encouragement of use of substitute materials; Subsidy for manufacture of substitute materials; Encouragement of reform of the people's way of living.	<i>Law Regarding Temporary Measures Concerning Imports and Exports:—</i> Ordinance Relative to the Demand & Supply Adjustment Council; Regulations Concerning the Investigation of volumes of important materials in stock. <i>Coal</i> —Regulations for controlling distribution of coal; <i>Liquid Fuels</i> —Regulations governing sales of volatile & heavy oils; <i>Iron and Steel</i> : Permit System for erection of iron and steel structures; regulation restricting manufacture of steel goods; regulation restricting manufacture of pig iron castings, regulation controlling distribution of iron and steel. <i>Cotton</i> —Measure regarding restriction on manufacture of cotton goods, on sales of cotton goods, for home market; regulations controlling distribution of cotton yarn and cotton goods. <i>Non-ferrous metals</i> —Regulation regarding restriction on use of copper, platinum, lead, zinc, tin, etc. <i>Machinery</i> —Regulation restricting supply of constructional machinery. <i>Leather</i> —Regulation restricting use of hides and skins, raw and tanned; regulation of these commodities. <i>Rubber</i> —Measures restricting the use of rubber; measures restricting sale of rubber shoes and boots; regulation controlling distribution of rubber. <i>Lumber</i> —Regulation on sale of Oregon Pine.

CHAPTER IV.

FOREIGN TRADE.

The foreign trade of Japan during the period under review continued to present a dismal picture in spite of the working of an elaborate system of State planning and control. Vigorous efforts were made towards stimulating the languishing export trade so as to obtain some part of the wherewithal for the purchase of unproductive war materials. The results achieved could not be said to have fulfilled general expectations even though trade statistics at the end of 1938 recorded a favourable balance of trade and were hailed with general satisfaction. An analysis of the figures, however, discloses that the excess of exports was mostly diverted to the yen-bloc countries and was not helpful in the acquisition of foreign exchange so badly needed by the country. If figures of exports to the yen-bloc countries were excluded, the balance of trade would still remain substantially against Japan.

2. The following tables illustrate the position as regards the foreign trade of Japan and the respective shares of the yen-bloc countries:—

	Exports.				Imports.			
	1938.	Compared with 1937.	1st Quarter of 1939.	Compared with 1st Quarter of 1938.	1938.	Compared with 1937.	1st Quarter of 1939.	Compared with 1st Quarter of 1938.
Japan Proper & Karafuto	2,669,338	-608,749	619,816	+50,781	2,328,116	-1,028,600	641,858	+99,873
Korea	107,889	+59,543	48,876	+20,926	112,204	+19,908	40,490	+12,681
Formosa	36,299	+6,383	17,439	+10,306	36,528	-6,461	13,687	+652
South Seas	1,676	+1,333	415	-17	1,444	+176	313	+8
TOTAL	2,875,202	-541,485	683,546	+81,995	2,478,292	-1,014,977	696,348	+113,214
Reshipped	21,568	-	-	-	-	-	-	-
In Bond	-	-	-	-	357,935	-	-	-
GRAND TOTAL	2,896,770	-	-	-	2,836,227	-	-	-

(Unit 1,000 yen.)

	Exports and Imports 1938.	Compared with 1937.	Exports and Imports 1st Quarter 1939.	Compared with 1st Quarter 1938.	Balance.	
					1938.	1st Quarter 1939.
Japan Proper .	4,997,454	-1,637,349	1,258,674	+150,655	+341,222	-25,042
Korea . .	280,093	+79,451	89,366	+33,606	+55,685	+8,386
Formosa . .	72,827	-78	31,127	+10,959	-229	+3,751
South Seas .	3,120	+1,514	728	-9	+232	+102
TOTAL .	5,353,494	-1,556,462	1,379,895	+195,211	+396,910	-12,803

(Unit 1,000 yen.)

Share of the Yen-bloo.	1938.	1937.	1st Quarter of 1939.	1st Quarter of 1938.
Exports from Japan—				
Manchoukuo	316,323	216,092	73,221	68,417
Kwantung Province . . .	536,317	395,916	131,069	99,477
China	312,900	179,251	83,326	52,651
North China	198,639	81,817	..	..
Central China	114,077	95,250	..	..
South China :	184	2,184	..	..
TOTAL .	1,478,440	970,510	287,616	220,545
Imports into Japan—				
Manchoukuo	339,117	249,071	104,649	103,940
Kwantung Province . . .	60,323	45,198	14,797	14,354
China	164,611	143,636	44,595	27,663
North China	133,110	74,523	..	..
Central China	27,624	52,658	..	..
South China	3,877	16,435	..	..
TOTAL .	728,662	581,521	164,041	145,957

3. These statistics are not quite complete in regard to imports because materials intended for armament industries, iron scraps, ores, etc., have been excluded from the Returns, while on the export side, no record of shipments of gold and silver is available. The total exports (including re-shipped goods) of the Japanese Empire (Japan Proper and Karafuto, Chosen, Taiwan and Nanyo) decreased from Y. 3,318 million in 1937 to Y. 2,896·7 million in 1938, a drop of Y. 421·8 million or 12·7 per cent while total imports fell from Y. 3,954·7 million in 1937 to Y. 2,836 million, a decline of Y. 1,118·8 million or 28·3 per cent, the net balance being an excess of exports to the extent of Y. 60·4 million. If, however, trade with the yen-bloc countries were excluded the favourable balance is immediately converted into an unfavourable balance of over Y. 542 million, still quite a formidable figure. In the first quarter of 1939 the position was still worse. As compared with the first quarter of 1938, exports and imports showed an increase of 14 per cent and 13 per cent respectively. The increase in exports, however, was mainly attributable to the marked increase in shipments to the yen-bloc which improved by as much as 45 per cent, while exports to other countries declined by about 14 per cent, the net result being an adverse balance of nearly Y. 200 million with third powers. Even the excessive exports to the yen-bloc countries were not sufficient to neutralise this adverse balance and the total figures inclusive of the yen-bloc still left a margin of Y. 14 million against Japan. The increase in the imports during the quarter was due to large imports of raw materials for the heavy industries.

4. An analysis of import figures yields the following results. Raw materials, the largest group in Japan's imports, fell from Y. 1,995 million in 1937 to Y. 1,296 million in 1938, a drop of 35 per cent, the decrease being mostly in raw cotton, wool, rubber, lumber, hemp, oil-extracting materials and rock phosphate, increases were seen in the imports of bean cake, ammonium sulphate, coal and "others".

The semi-finished group, second in importance, also showed a sharp decline, from Y. 1,095 million in 1937 to Y. 702 million in 1938, a fall of 35·9 per cent, the greatest drop being witnessed in "others" and pulp, leather and dyes. The group comprising finished goods formed the only category in which imports increased, machinery (types not mentioned) with an increase of Y. 74 million being the principal beneficiary. In the category of foodstuffs, apart from an increase registered in the case of beans, all other commodities fell away, the decline in sugar of Y. 14 million (a drop by 74 per cent) and in wheat of Y. 20 million (a drop by 70 per cent) being noteworthy. The imports of miscellaneous goods reached only half of their corresponding figures for 1937, falling from Y. 14 million to Y. 7 million.

5. A detailed analysis of the trade in the principal commodities which figure in the foreign trade of Japan may now be attempted. In 1938, raw cotton accounted for about 17 per cent of all imports, and wool 4 per cent, both registering a sharp decline from the preceding year, cotton dropping from Y. 851 million to Y. 437 million, a fall of about 50 per cent, and wool from Y. 298 million to Y. 94 million, a recession of 70 per cent. Japan's purchase of raw cotton from India was drastically cut down from Y. 364 million to Y. 113 million, a reduction by about 69 per cent. The increases in imports were mostly from China—raw cotton and coal; Manchoukuo—beans, ammonium sulphate, hemp and other vegetable fibres; the U. S. A. and Argentine—

leather; and from India (figures not published in Japan)—pig iron (from Rs. 9,553,000 in 1937 to Rs. 16,086,000 in 1938).

As regards exports from Japan, there was a general all-round decrease in all categories, except in the "food, drinks and tobacco" group which showed a remarkable increase by 21 per cent as compared with 1937 chiefly owing to a large improvement in the exports of canned and bottled goods to Great Britain (mandarin oranges mostly) and flour, beer and canned goods to the yen-bloc. A decrease by about 21 per cent in the export of raw materials, 17·4 per cent in semi-finished goods, 17·2 per cent in finished articles and 13·1 per cent in miscellaneous goods, was one of the features of Japan's export trade in 1938.

It may be stated that generally the increases occurred in goods produced from raw materials available in the country, while decreases were noticed, with the exception of silk, raw and textiles, principally in goods manufactured from imported raw materials. The textile industries having experienced the greatest shortage of raw material supplies showed the largest decline in exports of manufactured goods :—

- 60 per cent in rayon yarn,
- 32·8 per cent in knitted goods,
- 31·9 per cent in silk tissues,
- 29·1 per cent in cotton yarn,
- 25·9 per cent in cotton tissues,
- 25·2 per cent in raw silk, and
- 6 per cent in woollen tissues.

Cotton textiles, which constituted the largest single export item, showed a decline of about Y. 169 million from 1937, the decrease being heavier in shipments to Manchoukuo and Dutch East Indies. Raw silk trade shrank by Y. 43 million due to high prices, trade depression in the U. S. A. and anti-Japanese movement in that country. In rayon textiles, trade with the Dutch East Indies suffered most, and in the case of silk textiles, the decline was heaviest in exports to British India, Great Britain and the U. S. A.

6. The following tables show the movement of Japan Proper's foreign trade by countries :—

TABLE I.
Trade by Continents.

	EXPORTS.		IMPORTS.		EXPORTS.		IMPORTS.	
	1938.	1937.	1938.	1937.	1938.	1937.	1938.	1937.
	Million Yen.				Percentages.			
Asia	1,664·7	1,045·9	1,023·4	1,295·1	62·0	51·0	38·6	34·3
Europe	201·0	350·3	370·3	504·0	9·0	11·1	14·0	15·2
North America	440·4	050·0	1,000·5	1,374·3	10·4	20·8	37·8	36·3
Central & South America	89·0	104·4	98·4	181·4	3·3	5·1	3·7	4·8
Africa	137·3	242·7	60·0	200·3	5·1	7·0	2·3	5·5
Oceania	90·0	108·5	97·9	222·1	3·0	3·4	3·7	5·9
TOTAL	2,689·7	3,175·4	2,662·3	3,783·2	100·0	100·0	100·0	100·0

TABLE II.

Trade by Countries.

(In Million Yen.) (Figure \$ indicates increase.)

	Decrease in 1938 in comparison with 1937.		Balance.	
	Exports.	Imports.	1938.	1937.
Asia	\$18.8	271.7	+641.3	+350.7
British India	111.7	277.3	+15.8	+150.1
Netherlands East Indies	95.9	65.2	+15.9	+46.6
Straits Settlements & British Malaya	48.4	14.6	-78.1	-44.3
Hongkong	32.4	4.0	+15.4	+43.8
Manchukuo & Kwantung Province	\$245.6	105.2	+458.2	+317.7
China	\$133.7	21.0	+148.3	+35.6
Europe	95.3	127.7	-115.3	-148.0
Great Britain	33.3	42.6	+71.8	+62.2
Germany	10.2	5.2	-138.2	-133.1
Franco	10.4	14.4	+23.3	+19.3
Belgium	10.5	25.6	-5.3	-20.4
Sweden	3.3	25.2	-15.8	-37.7
North America	219.2	367.5	-566.4	-714.7
U. S. A.	214.3	354.2	-490.2	-630.1
Canada	4.8	13.4	-76.0	-84.7
Central America	25.5	11.6	+22.3	+36.1
South America	49.4	71.4	-31.1	-53.1
Argentina	22.9	17.7	-4.7	+0.5
Brazil	6.9	16.6	-35.8	-45.5
Uruguay	6.1	29.8	-0.2	-23.8
Africa	105.4	145.7	+76.7	+36.4
Egypt	18.8	37.8	-22.3	-41.3
South Africa	18.5	79.3	+25.7	-35.1
Oceania	9.9	124.3	-1.2	-115.7
Australia	2.7	82.4	-13.5	-93.2
New Zealand	4.6	38.4	+4.6	-29.3

It will be observed from the preceding tables that every country, except Manchoukuo, Kwantung Province and China, showed a sharp decline in both exports and imports. The recession was most pronounced in exports to the U. S. A. (—214·3 million yen), British India (—111·3 million yen) and the Netherlands East Indies (—95·9 million yen) as well as in imports from the U. S. A. (—354·2 million yen), British India (—277·3 million yen), Australia (—82·4 million yen) and the Union of South Africa (—79·3 million yen). The decrease in imports was specially great from agricultural countries and consequently the balance of trade with them recorded distinct improvement.

7. As regards the position of India, the favourable trade balance enjoyed by her in 1937 was converted into an adverse balance in 1938. Japan's purchases from India fell from Y. 499 million in 1937 to Y. 172 million in 1938—a drastic reduction of 61·7 per cent while India's imports from Japan declined from Y. 299 million to Y. 188 million, a fall of 37·2 per cent.

The following figures bring out India's position clearly. The figures relate to the Japanese Empire (consisting of Japan Proper and Karafuto, Chosen, Taiwan and Nanyo and do not include re-shipped goods and goods entered into bonded warehouses).

Statement I.

(Unit 1,000 yen.)

Year.	Exports from Japan.	Imports from India.	TOTAL.
1936	259,108	372,009	631,117
1937	299,367	449,487	748,854
1938	188,040	172,231	360,271

Statement II.

—	1937.	1938.	1939. (January-March.)
TOTAL EXPORTS	3,278,087	2,875,202	280,592
To India	299,367	188,040	49,055
India's share in percentage	9·1%	6·5%	17·5%
TOTAL IMPORTS	3,493,269	2,478,293	259,338
From India	449,487	172,231	45,560
India's share in percentage	12·9%	7%	21·5%

It will be observed that the total trade of Japan with India in 1938 fell by 43 per cent and 52 per cent as compared with 1936 and 1937. The second table shows that whereas in comparison with 1937, the decrease in the Japanese Empire's general export trade was noticeable to the extent of 12·7 per cent in 1938, the reduction in the case of the Empire's exports to India registered a drop of 37·2 per cent. Similarly, while Japan's total purchases from all countries were cut down by 29·1 per cent. in 1938, the axe of the Government's restriction policy fell more heavily in the case of Indian products importation of which was reduced to the extent of 61·7 per cent.

8. The following table indicates Japan's balance of trade with India, month by month, during the financial year 1938-39 :—

Japan's Foreign Trade Balance and Balance of Trade with India, Month by Month.

(In Million Yen.)

Mouth.	Total Exports.	Share of India.	Total Imports.	Share of India.	Japan's Balance of Trade with India.	Japan's General Foreign Trade Balance.
<i>1938.</i>						
April	217	14·0	265	20·4	—5·5	—48
May	212	12·1	253	15·1	—3·0	—41
June	202	11·7	252	14·4	—2·7	—50
July	211	11·2	200	11·5	—0·3	+2
August	241	14·8	193	12·2	+2·6	+48
September	226	21·0	194	12·0	+8·4	+32
October	253	17·3	172	13·0	+3·4	+81
November	262	10·3	218	13·7	+5·6	+44
December	295	22·6	283	18·0	+3·7	+12
<i>1939.</i>						
January	160	13·6	195	14·4	—0·8	—35
February	207	16·8	214	15·4	+1·4	—37
March	257	18·7	261	15·8	+2·0	—4
Total Balance . .	..	..	..	..	+15·7	+4

9. The principal imports into Japan from India as published in the Japanese trade returns during 1937 and 1938 and the first quarter of 1939 were as follows :—

(In 1,000 yen.)

	1937.	1938.	First quarter of 1939.
TOTAL IMPORTS	449,487	172,231	45,560
Raw cotton	363,635	113,331	26,473
Hides and skins	2,323	205	30
Leather	3,436	1,087	27
Vegetable fibre	8,344	3,769	1,565
Oil cakes	1,943	47	..
Oil yielding materials	2,459	161	..
Beans and peas	3,234	72	40

Figures in regard to the following commodities which coming under the category of war materials do not find a place in the Japanese trade accounts have been obtained from the Indian trade statistics.

EXPORT FROM INDIA TO JAPAN.

(In 1,000 rupees.)

	1937-38.	1938-39.
Pig iron	12,886	10,438
Old iron or steel for remanufacture	2,015	1,827
Manganese ore	3,514	2,340

As in the case of war materials, no figures of shipment of gold and silver are available.

10. The following figures indicate Japan's Export trade with India :—

Principal Exports from Japan to India.

(In 1,000 yen.)

	1937.	1938.	1st quarter of 1939.
TOTAL EXPORTS	299,367	..	..
Cotton Yarns	19,846	20,502	7,132
Raw Silk	8,460	1,520	581
Artificial Silk	23,154	4,274	2,410
Cotton Tissucs (Grey)	16,916	32,916	10,008
	(123,189,000	(274,202,330	(9,594,103
	sq. yds.)	sq. yds.)	sq. yds.)
Cotton Tissucs (Bleached)	13,011	11,957	1,804
	(72,917,000	(81,814,852	(11,358,410
	sq. yds.)	sq. yds.)	sq. yds.)
Cotton Tissucs (Others)	33,114	23,005	5,003
	(135,085,000	(113,773,123	(27,094,990
	sq. yds.)	sq. yds.)	sq. yds.)
Woollen Tissucs	9,883	3,460	..
Silk Tissucs	13,838	17,755	1,643
Artificial Silk Tissucs	32,466	11,627	3,449
Cotton Blankets	1,610	40	3
Knitted Goods	4,560	2,366	539
Hats, caps, bonnets and hatbodics	1,736	536	35
Buttons	1,432	808	72
Jewellery for Personal adornments	4,048	3,515	772
Papers	1,613	1,123	142
Potteries	4,240	2,580	656
Glass and glass manufactures	7,215	5,492	1,260
Brass	1,365	142	10
Iron manufactures	6,221	2,728	768
Gum tyres	1,099	767	305
Machinery and parts thereof	6,443	5,794	822
Wood	1,533	1,242	234
Lamps and Parts thereof	1,584	717	142
Toys	2,787	1,715	240

11. A brief explanation of the reasons for the changes which have taken place in the foreign trade of Japan during the year under review may now be offered. As stated in the preceding paragraphs, the peculiar features of the foreign trade of Japan in 1938 were :—

- (1) The decline in the total volume of foreign trade amounting to 21·2 per cent exports accounting for 12·7 per cent and imports for 28·3 per cent.
- (2) A decline in the Japanese foreign trade with countries outside the yen-bloc.
- (3) A large increase in her trade with the territories in China constituting the yen-bloc, and
- (4) Alteration in the proportions in which different groups of commodities were normally imported or exported.

During the year 1938, World Trade declined by only 13 per cent the decline in Japan's foreign trade by 21·2 per cent could not therefore be attributed entirely to World causes. There can be little doubt that the peculiar conditions prevailing in Japan were having their natural repercussions on the course and volume of foreign trade though from the point of view of the country it may be considered a welcome feature that the decline in imports from third countries as compared with exports was much greater so that the disadvantage resulting from the acquisition of a smaller amount of foreign exchange on a thinner export trade was more than counter-balanced by the reduction in foreign exchange payments on account of reduced imports. The decline in the export trade of Japan was due to a variety of causes of which the following may be mentioned :—

- (1) Boycott movement in foreign countries particularly in the South Seas where Chinese merchants predominate.
- (2) The decline in the productive activity of many "peace-time" industries as a result either of diversion to "war-time" industries or of pressure exerted through preferential treatment accorded to "war-time" industries in the matter of distribution of raw materials, etc.
- (3) Efforts on the part of some foreign countries to restrict imports from Japan to compensate for reduced exports to that country.
- (4) The preferential treatment accorded to raw materials for use in the armament industries by the larger allotment of foreign exchange for their imports.
- (5) The shortage of labour due to the Sino-Japanese conflict.
- (6) Conversion of material imported for the manufacture of exports to domestic use.
- (7) An increase in domestic prices and the resulting divergence in the price levels at home and abroad due to shortage of raw materials, increased labour costs, a tendency towards inflation, etc. On

the other hand, the remarkable increase witnessed in the export trade to the yen-bloc was due to the following reasons :—

- (i) Increased demand for productive materials needed for Manchoukuo's five-year industrial development plan, e.g., machinery.
- (ii) Special demands to meet various needs for construction, peace preservation and military operations in China as witnessed in the enormous increase in the exports of lumber.
- (iii) Speculative demands in anticipation of increased prosperity and economic activity in these territories.

The changes which have occurred in the relative proportions of goods imported and exported are again due to wartime control. Government control of foreign exchange with a view to facilitate importation of war supplies and other materials has naturally restricted imports of civilian supplies for consumption within the country and of materials required for manufacture of export goods. The proportion of the former category of goods in the imports has thus largely increased, whereas a sharp decline has occurred in the imports of cotton, wool, raw rubber and pulp, all important materials for the manufacture of goods for export. For similar reasons goods manufactured from materials available in the country are being exported in larger proportions in comparison with goods which depend on imported materials. Various measures adopted by Government to neutralise the tendencies unfavourable to the growth of the export trade of the country have been described in Chapter II. In addition, missions were organised with the object of investigation of overseas markets. Three of these were sent to India, Central America and North America in September 1938. The number of trade facilities bureaux established in 1937 was increased with the same object from 14 to 26.

Shipping.

12. The sharp decline in Japan's import and export trade had its repercussions on the carrying trade of the country. The depression on overseas routes which set in in the autumn of 1937 owing to a worldwide shrinkage in the movement of cargoes and the contraction of Japan's foreign trade continued throughout 1938 and the first quarter of 1939. The Sino-Japanese Conflict which gave a fillip to the coastal shipping for transportation of such heavy commodities as coal, iron and steel, timber, etc., was able to some extent to redeem the depression in the ocean-route carrying trade.

The autonomous shipping control enforced by the Shipping Control Committee under the auspices of the Government was made stricter as the year under review progressed. In order to check an undue advance in freight and charter rates, the Control Committee enforced maximum freight standard rates for a large number of commodities on main routes and in addition standard charter rates were introduced in twelve groups applicable from 1,000 tons to 10,000 tons until the end of November 1938. Early in November, standard freight and charter rates were extended to vessels under 1,000 tons.

13. The following table shows the position of the Japanese cargo boats and trampers engaged on various routes (in 1,000 tons) :—

—		January, 1937.	January, 1938.	December, 1938.
European routes	. . . . .	168.8	86.1	31.5
African routes	. . . . .	177.8	84.2	0.1
South American routes	. . . . .	36.4	75.0	95.5
North American routes	{ Pacific	532.4	332.9	375.4
	{ Atlantic	212.3	250.0	196.3
Australian routes	. . . . .	143.4	58.8	43.0
British Indian routes	. . . . .	172.0	185.0	170.4
South Asiatic and Straits Settlements routes.	. . . . .	336.4	345.8	394.2
Japanese coastal routes	. . . . .	1,653.8	1,074.0	1,427.0
TOTAL (including others)		3,382.8	3,841.4	4,574.8

N.B.—Ships less than 2,000 deadweight tons excluded.

14. Three bills relating to shipping were placed on the Statute Book in the 74th Session of the Diet. A *Shipping Association Law* was enacted with the object of placing the shipping industry under Government supervision. The Government was authorised to order co-operative organisations of ship-owners, shipping operators and shipping brokers to be established with a view to issue such regulations for the control of the industry as may be approved by the Government.

The *Ship-building Industry Law* has already been referred to in Chapter III. It brought the Ship-building Industry under strict Government supervision. The establishment of new enterprises, amalgamation, and cessation of work of ship-building companies was made subject to permission from the Government. The Government was further empowered to issue instructions as regards the building of hulls, engines and equipments, and to insist on the use of domestic products. It can order changes in prices for vessels, engines, equipment, etc., as well as in repair costs, can demand installation and enlargement of repair facilities and other equipment and the establishment of facilities for research on specified subjects. The grant of subsidies for the promotion

of the ship-building industry to either ship-builders or ship-owners has also been provided for.

Subsidy and Loss Indemnification of Loan for Ship-building Law.—The purpose of this law is to enable ship-owners to obtain adequate funds at a low rate of interest. The rate of interest will be fixed by Imperial Ordinance and the loan for the construction of vessels shall be repayable by instalments within 15 years. The Government will indemnify financial institutions giving loans under this law against losses to the extent of 70 per cent of the total loss.

DEPARTMENT OF COMMERCIAL INTELLIGENCE AND
STATISTICS, INDIA, CALCUTTA

REPORT

ON THE

**WORK OF THE INDIAN GOVERNMENT TRADE
COMMISSIONER, OSAKA**

DURING 1938-39

BY

R. R. SAKSENA, Esq., M.A., B.Sc., LL.B.



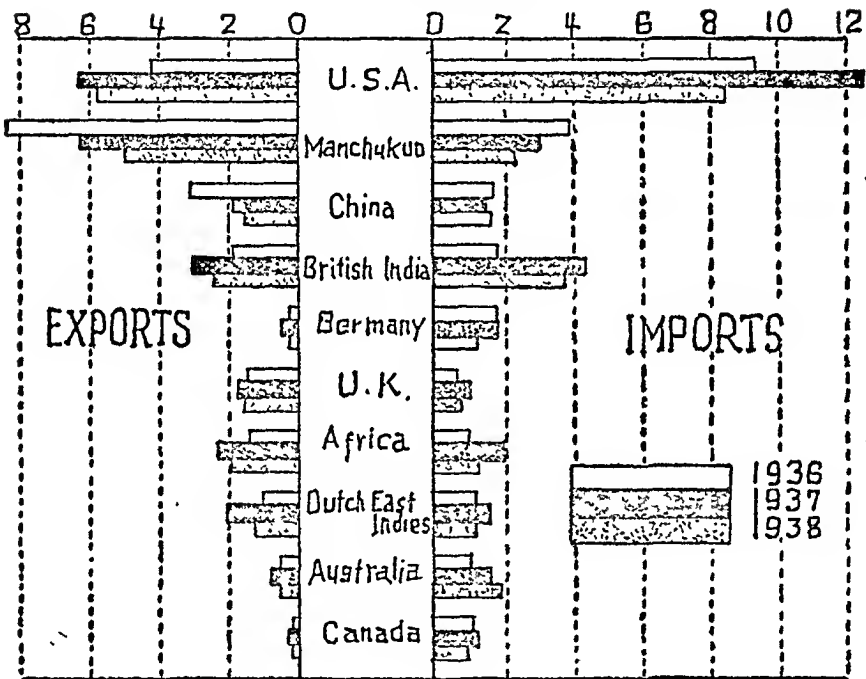
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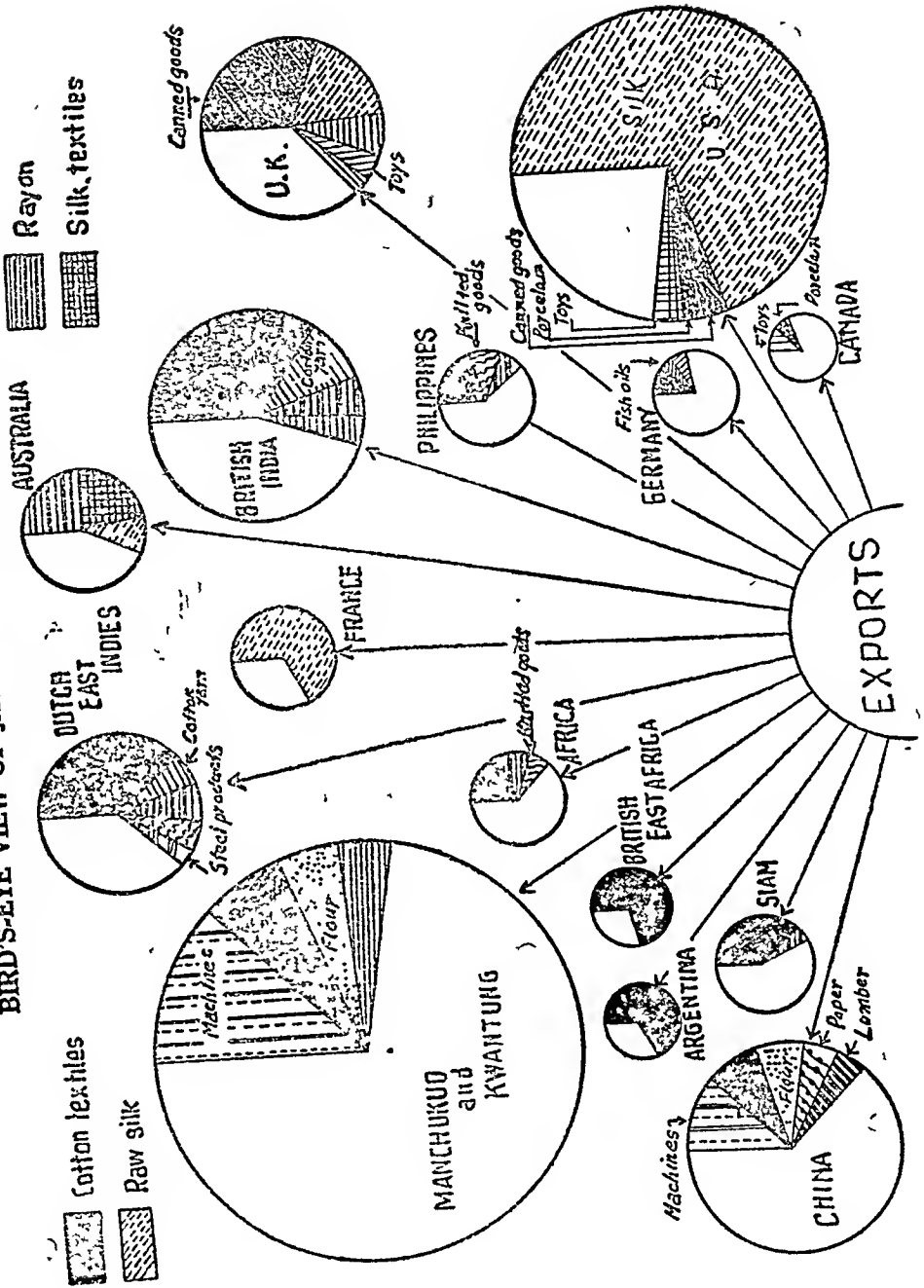
JAPAN'S FOREIGN TRADE.

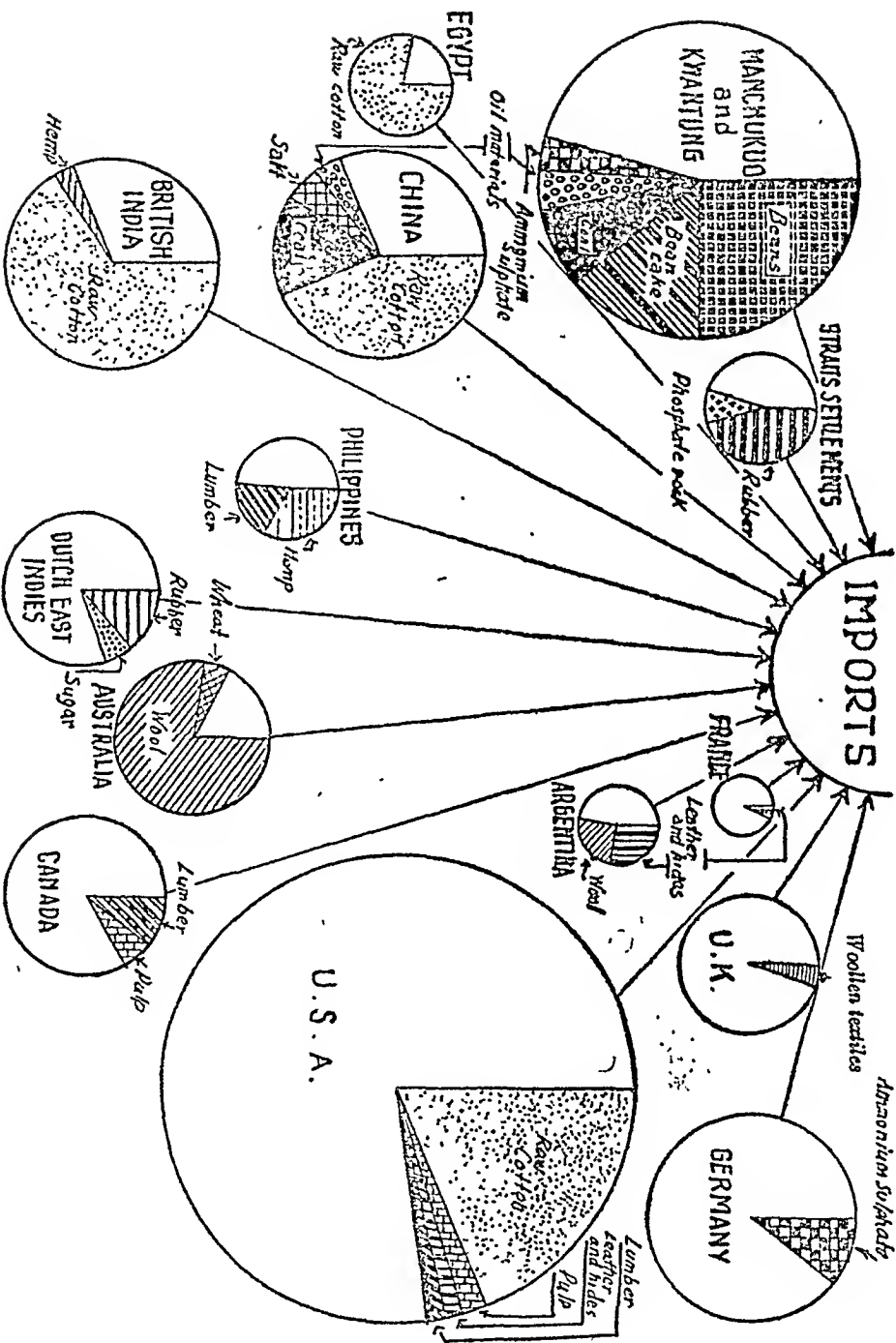
For last three years.

(In yen 100 Millions.)



BIRD'S-EYE VIEW OF JAPAN'S 1938 FOREIGN TRADE.



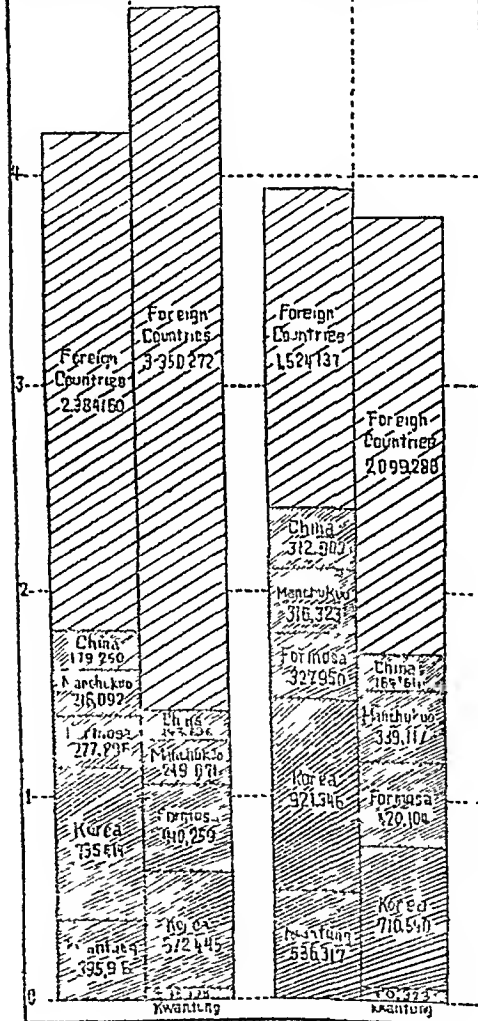


Percentages

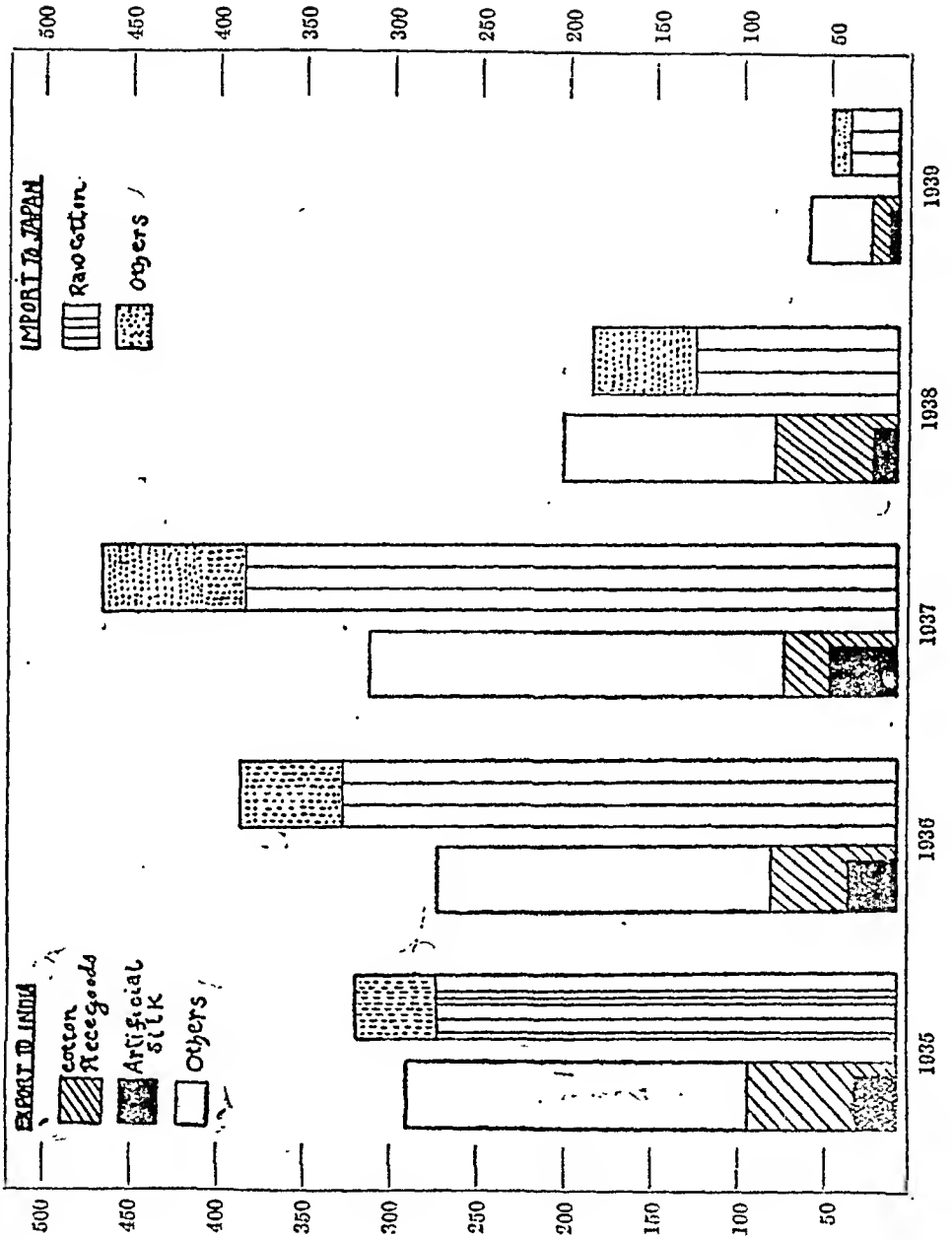


Japan Proper's Trade with Foreign Countries, Colonies and Yen Bloc
(In ¥1,000)

1937 1938
 EXPORTS: IMPORTS EXPORTS: IMPORTS
 ¥5,182,727 ¥4,770,88 ¥3,938,973 ¥3,733,335

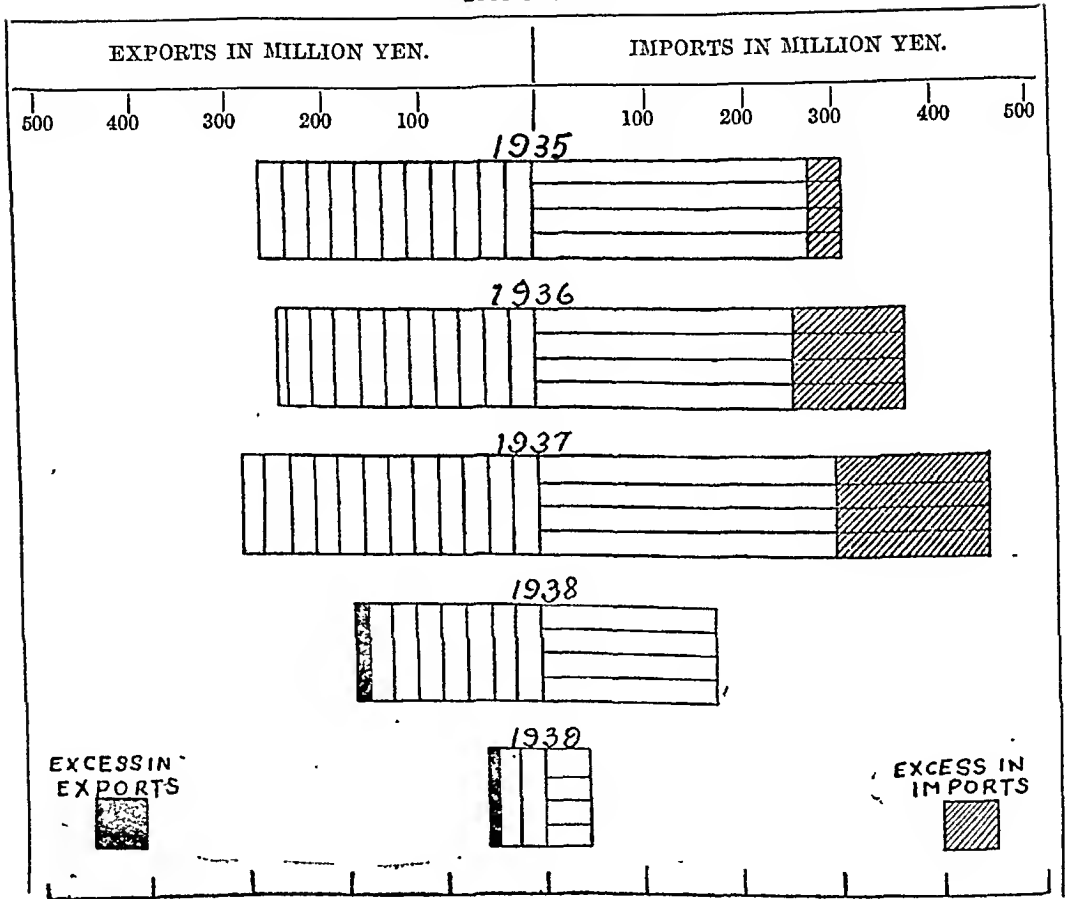


JAPAN'S TRADE WITH INDIA.



JAPAN'S BALANCE OF TRADE WITH INDIA.

1935 to 1939.



CHAPTER V.

COMMODITIES.

This chapter deals with the commodities that figure prominently in Indo-Japanese Trade.

Import Commodities.**(1) RAW COTTON.**

From the point of view of India's export trade in raw cotton with Japan, the year under review stands out prominently as marking a record low level of imports in recent years. Apart from the years 1931 and 1932, when the abandonment of the gold standard and the embargo on the private shipment of gold had produced reactionary effect on trade, not once during the last 20 years the exports of raw cotton to Japan touched such a low ebb as it did in 1938. As compared with 1937, imports of Indian raw cotton into Japan during 1938 dropped by 55.9 per cent in quantity and 68.8 per cent in value. Whereas in the preceding year Indian cotton constituted 42.8 per cent of the total raw cotton imports into Japan, her share in 1938 was only 25.9 per cent. The predominant position which Indian cotton held amongst the rest of the imports from India was also considerably undermined due no doubt to increased foreign exchange allotment granted to these imports designed to feed war industries. Normally, Indian raw cotton occupies more than 80 per cent of the total Indian sales to Japan, but in 1938 this was reduced to 65.7 per cent.

Year.	Grand total of all Imports (In million yen).	Share of total Indian Imports in the Grand Total. (Per cent)	Share of total Imports of Raw Cotton in Grand Total. (Per cent)	Share of Indian Raw Cotton in Total Imports of Raw Cotton. (Per cent)	Share of Indian Raw Cotton in Total Imports from India. (Per cent)
1935 . .	2,472	12.4	28.3	30.3	84.6
1936 . .	2,764	13.5	30.7	37.1	84.7
1937 . .	3,783	11.0	22.5	42.8	81.1
1938 . .	2,663	6.46	16.4	25.9	65.7

2. The following statements show Japan's imports of raw cotton from different sources :—

A.

(Unit 100 kin.)

	American.	Indian.	Chinese.
1936.			
1st half year	3,508,439	4,034,500	173,062
2nd half year	2,420,307	2,692,378	290,882
1937.			
1st half year	3,525,436	5,145,842	832,736
2nd half year	608,528	1,870,396	68,088
1938.			
1st half year	1,754,045	1,401,722	892,257
2nd half year	1,494,031	1,604,363	540,157

(Quantity in Piculs; value in Yen.)

	1938.		1937.		1936.	
	Quantities.	Value.	Quantities.	Value.	Quantities.	Value.
China	1,432,414	71,789,024	400,824	23,600,928	403,944	22,778,289
British India .	3,090,085	113,330,534	7,010,238	363,634,732	6,726,044	315,000,858
Dutch India .	31,091	451,085	66,325	1,172,094	37,187	701,215
French Indo-China	1,051	29,003	8,154	153,705	3,900	63,478
Turkey	39,854	1,478,404	5,407	290,717	48,045	2,438,777
United States of America.	3,248,070	100,413,676	4,223,004	300,887,972	5,928,746	372,414,992
Egypt	404,720	27,520,202	670,390	58,750,467	445,407	36,415,235
Kenya, Uganda and Tanganyika.	95,055	5,217,996	275,002	21,629,421	396,782	27,499,945
Other	1,020,808	60,593,081	1,007,032	75,014,710	1,150,241	73,074,001
TOTAL	9,378,454	436,834,685	13,704,200	851,158,340	15,211,172	850,451,000

3. The World Trade in raw cotton as a whole was affected by the severe contraction of purchases by Japan and the United Kingdom. As compared with 1937, Japan's imports of raw cotton during 1938 declined by 68·8 per cent in the case of India, 45·8 per cent in the case of the United States of America and 53·1 per cent in respect of Egypt. Imports of Chinese cotton, however, increased from 24 million yen to 72 million yen, a rise of 200 per cent, and of Turkish cotton from 29,000 yen to 1,478,000 yen, an increase of 407·9 per cent. In the first quarter of 1939, however, Indian cotton showed substantial improvement, as compared with the corresponding period of 1938, registering an increase of 40·2 per cent in quantity and 20·3 per cent in value. The general fall in the imports of Indian cotton during 1938 may be ascribed mainly to three causes, *viz.*—

- (1) the Japanese Government's general restriction policy,
- (2) banning of the manufacture of pure cotton cloth for domestic consumption through the 'link system', and
- (3) the diversion of raw cotton in increased quantities to mills in China mostly under Japanese control with a view to cut down the cost of production *vis à vis* mills in Japan.

For similar reasons a decrease was noticed also in American raw cotton exports. The Foreign Trade Bureau of the Department of Agriculture in Washington announced on December 24, 1938, that the current season's overseas purchases of American cotton were the smallest in 20 years and 41 per cent less than a year ago. Not since 1918, when the World War reduced Europe's consumption of American cotton, had the exports reached such a low level.

4. The large arrivals of raw cotton from China in 1938 do not indicate an increased production of raw cotton in North China. They mainly comprised old stocks or re-exports. The production of raw cotton in North China totalled 1,288,000 bales in 1936-37 season. It shrank in 1937-38 to 1,094,000 bales, and the estimated production for 1938-39 was 873,000 bales, a figure insufficient to meet the needs of mills at Tientsin, Shanghai and Manchoukuo. The decline of North China cotton production was mainly due to the reduction in acreage

under cultivation which in turn was the outcome of a number of factors. The most important of these were the floods of 1937 and the destruction of the Yellow River dykes by Chinese troops in 1938 coupled with the general wartime disturbances in North China. According to an estimate prepared by the Japan Cotton Trading Company the supply of raw cotton in North China for the year 1938-39 has been roughly as follows:—

Estimated North China Cotton Supply (in Piculs).

	New Crop.	Old crop.
Hupei	1,300,000	400,000
Shantung	1,000,000	300,000
Honan and Shansi	800,000	..
TOTAL SUPPLY .	3,800,000	
OF WHICH :—COARSE SHORT LINT .	500,000	
BALANCE SPINNING COTTON .	3,300,000	

The cotton for spinning purposes, according to the above estimate, available was 3·3 million piculs. Against this figure, the estimated demand was computed as follows:—

Estimated distribution for North China (in 1,000 Piculs).

Tientsin	750
Tsingtao	600
Tsinan	150
Interior of China	300
TOTAL .	1,800
Exportable surplus	1,500
Shanghai requirements	2,000
Manchoukuo	100
Allocated to Japan	1,000
Estimated supply shortage	1,800

5. A reduction in the exports of raw cotton from India to Japan has not been accompanied, as might be anticipated, by a corresponding reduction in the exports of piecegoods from Japan to India as the following comparative statement reveals:—

(Bales in 000, yards in million, value in lakh of rupees.)

	1936-37.		1937-38.		1938-39.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Exports of raw cotton from India to Japan.	2,420 D/S.	2,541	1,359 D/S.	1,479	1,211 D/S.	1,127
Imports of Cotton piecegoods from Japan into India.	417 yds.	558	306	459	425	518

6. The situation in regard to the trade in raw cotton is at the moment so obscure that it would be impossible to forecast with precision the consumption of Indian raw cotton during the current year. Certain factors in the demand and supply of this commodity can however be indicated. In the

first place, account may be taken of over eleven million bales of raw cotton in Government loans lying in the United States of America and the possibility of additional cotton going into a loan during the 1939-40 season. To place these enormous stocks into consuming channels without a catastrophic drop in prices has been the chief concern of the U. S. Administration. It is probable that a scheme of subsidization will eventually be adopted to encourage exportation and in that event the price parity with Indian cotton is likely to be disturbed to the detriment of the latter. The provisional Government of China promulgated an Ordinance on December 1, 1938, at the instance of the Japanese authorities to regulate exports of cotton from North China. The object of the regulations is to rationalise the cotton distribution and to lower the price so as to make exports to Japan feasible. The price of raw cotton in North China had shown substantial advances in 1938, and was responsible for curtailment of shipments to Japan. The Ordinance is designed to pave the way for a larger offtake of Chinese cotton by the Japanese mills. The conditions controlling the supply of cotton from other countries are expected to be normal with the exception of imports from Peru which has been promised an offtake of 14,000 bales by Japanese trade interests as a result of negotiations with the Cultural and Economic mission from that country. On the demand side, no relaxation either of exchange control or of the prohibition on domestic use of cotton textiles can be expected. Stocks of cotton textiles awaiting export to foreign countries have tended to accumulate and there is thus little likelihood of additional cotton being imported under the link system to meet a rising export demand for cotton piecegoods. On the whole, therefore, taking both the supply and demand factors into consideration, the outlook for Indian cotton during 1939, so far as Japanese consumption is concerned, cannot be said to be bright.

The picture is however not of unrelieved gloom. During the year under review, the work of restoration of the cotton textile industry in China has made very rapid progress. Mills in Shanghai, Tsingtao and Tientsin are reported to be working at full pressure and further schemes are under consideration for transfer of idle spindles from Japan to China. The supply of indigenous cotton has proved entirely inadequate to meet the rising demand from this rehabilitated industry and as these mills generally specialise in the production of coarse cloth, suitable for consumption in China, they have necessarily had to import largely Indian cotton to meet their requirements. This demand has been accentuated during the first three months of 1939 as the following figures will show:—

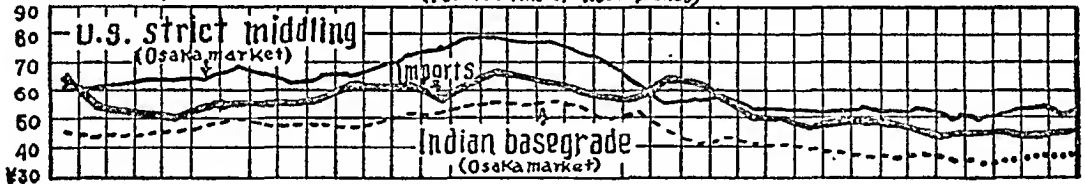
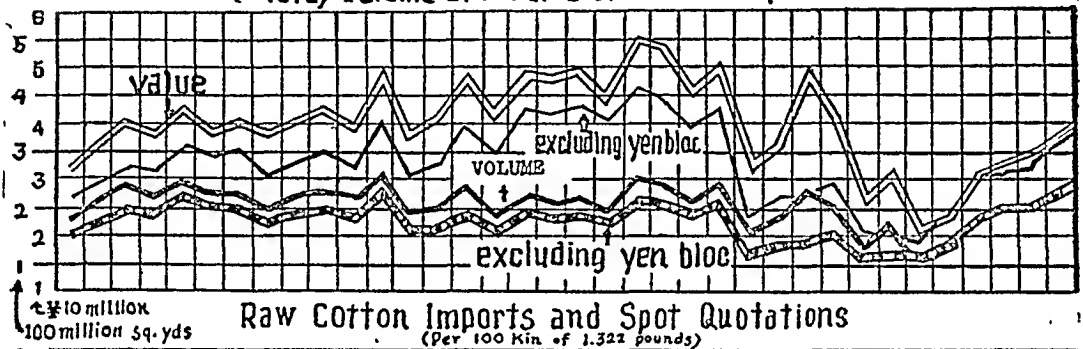
(000 in gold units.)

	1937.	1938.	January- March, 1938.	January- March, 1939.
(a) Imports from India into China	5,488	6,047	774	7,466
(b) Imports of raw cotton, cotton yarn and cotton thread.	0,029	7,637	873	11,622

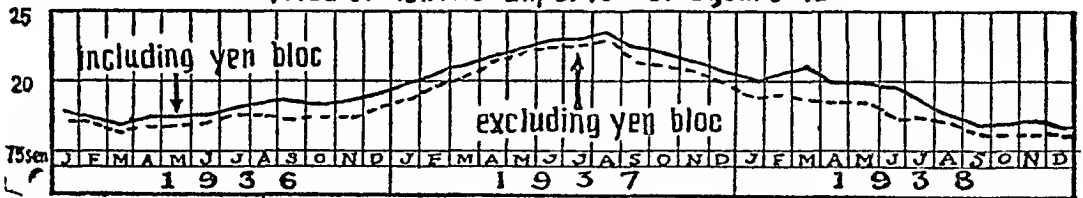
Provided that Chinese currency remains fairly stable, anticipations are that during the current year imports of Indian raw cotton into China will amount to about 800,000 bales or an increase by 800 per cent compared to the consumption in previous years.

EFFECTS OF IMPORT-EXPORT LINK SYSTEM ON COTTON TRADE.

Total Volume and Value of Textile Exports



Value of Textile Exports Per Square Yard



(2) HIDES AND SKINS.

The following table indicates how Japan's trade in these commodities has moved :—

(Quantity in 000 pieces; Value in 000 Yen.)

	1938.		1937.		1936.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
TOTAL	480	27,820	083	44,571	518	24,386
British India	3	205	20	2,323	17	050
U. S. A.	201	10,954	112	9,396	72	8,972
Argentina	118	0,883	81	5,871	28	1,391
Australia	43	2,205	73	5,023	24	1,124
China	51	3,083	162	10,070	201	9,177
Manchoukuo	14	1,561	15	1,039	17	926
Kwantung Province . . . . .	..	20	3	108	1	35

	1939 1ST QUARTER.		1938, 1ST QUARTER.	
	Quantity.	Value.	Quantity.	Value.
TOTAL	154	10,870	125	7,597
British India	1	80	2	127
U. S. A.	27	1,556	32	2,096
Argentina	21	1,257	88	2,472
Australia	7	848	15	605
China	78	6,849	18	842
Manchoukuo . . . . .	..	21	3	253

A very substantial decline in the imports of hides and skins was registered in 1938 as compared with 1937. Of all the principal suppliers of these commodities to Japan, India suffered the most. The total imports from all countries during 1938 shrank by 48.4 per cent as compared with the preceding year, but imports from India declined by 91.1 per cent. The most significant feature of the 1938 trade was an increase in Japan's purchases from the U. S. A. and Argentina, by 16.6 per cent and 17.2 per cent respectively, as compared with 1937. It is believed that this was due to the quality of American hides and skins which conform to the Japanese military requirements to a much greater extent than the others. The imports from China receded by 69.4 per cent. Bull and steer hides of American and Argentine origin are most favoured by the Military authorities on account of their thickness and largeness in size. It is understood that the following standard requirements are usually demanded :—

Weight.		Thickness.	
	Lbs.		(1 Iron=1/48 th. inch). Irons.
Bull hides minimum .	70	Minimum .	9
Steer " " .	60	" .	7
Cow " " .	40	" .	6 to 7 depending upon weight.

The purchasing prices of American and Argentine Bull, Steer and Cow hides range between 30 to 40 sen per lb.

The figures for the first quarter of 1939, however, present on the whole a more encouraging and brighter picture. The total imports in the first quarter were valued at nearly Y. 11 million as against Y. 8 million for the corresponding quarter of 1938, showing an increase of 43 per cent.

A feature of the import trade during the first quarter of 1939 was the enormous increase in the imports of low priced leather from China, 95 per cent of which came from North China. This increase not only accounted for the whole of the increase registered in the imports of hides and skins during the quarter, but was in addition responsible for eating into the 1938 huge gains in leather sales to Japan which the United States and Argentine had made as a result of the Incident. Exports of hides and skins from Argentina as compared with the corresponding quarter of 1938 dropped by 49 per cent and from the U. S. A. by 26 per cent. India was, however, again the worst sufferer, her share of the trade declining by about 77 per cent India could not possibly overcome the double handicap of severe import restrictions and exchange control—the latter giving an additional fillip to imports from North China which is included in the yen-bloc.

(3) LEATHER.

Imports of leather during 1938 and the first quarter of 1939 are tabulated below :—

(Quantity in 000 piculs ; Value in 000 Yen.)

	1938.		1937.		1936.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
TOTAL	551	1,875	1,307	7,520	1,208	5,465
British India	336	1,088	871	3,436	704	2,316
Great Britain	11	35	81	413	82	277
Germany	14	174	77	934	101	1,023
U. S. A.	67	175	137	1,001	233	1,223

	1ST QUARTER 1939.		1ST QUARTER 1938.	
	Quantity.	Value.	Quantity.	Value.
TOTAL	48	191	187	794
British India	10	27	101	352
Great Britain	1	1.5	6	21.5
Germany . . . . .	..	.5	12	146
U. S. A.	-3	-2	6	75

India is the principal supplier of tanned hides and skins to Japan. As the figures for imports during the period under review show, Import and Exchange control have wrought havoc with this trade. The total imports of leather declined from Y. 7.5 million in 1937 to Y. 2 million in 1938—reduction by 75.1 per cent. India's share fell by 68.3 per cent—from Y. 3.4 million in

1937 to Y. 1 million in 1938. Imports from the U. S. A. and Germany, the two serious competitors in this line, showed a higher percentage decline, the arrivals from the former being reduced by 83.6 per cent and those from the latter by 81.4 per cent. India's share in the 1938 trade was 58 per cent of the total, while the U. S. A. and Germany each contributed a little more than 9 per cent. Imports during the first quarter of 1939 also compared very unfavourably with imports in the corresponding period of 1938. The total imports from all sources declined to Y. 191,000 from Y. 794,000 in 1938, while India's share fell to a mere Y. 27,000 from Y. 352,000.

In the last Annual Report on the work of this office, the control measures in respect of imports of hides and skins, raw and tanned, were reviewed. A revised Ordinance was promulgated to take effect from December 1, 1938. Its principal features are explained below :—

- (1) Brokers are not allowed to undertake sale of hides and skins, raw and tanned, without the permission of the Prefectural Governors.
- (2) Imports from the Japanese colonies can only be made through licensed importers designated by the Ministry of Commerce and Industry.
- (3) Hides and skins exceeding the quota limit fixed and allocated by the Japan Federation of Tanners' Association cannot be tanned by a tannery. Tanners must obtain permit from the control organisation for tanning hides and skins excepting in the case of leather required for military and export purposes.
- (4) Persons engaged in tanning hides and skins are required to obtain permission from the Minister of Commerce and Industry for the utilisation of their production.

(4) OTHER VEGETABLE FIBRES.

Figures of imports of " Other Vegetable Fibres " are tabulated below :—

(Quantity in 000 piculs ; value in 000 Yen.)

	1938.		1937.		1936.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
TOTAL	1,262	27,306	1,867	40,095	2,158	37,361
British India	262	3,709	450	8,344	444	7,342
Manchoukuo	179	5,587	61	1,273	26	298
China	118	3,116	216	5,127	338	7,556
Dutch India	16	399	48	1,270	28	549
Philippine	648	11,889	663	23,224	1,203	20,680
Great Britain	6	973	3	46	..	..

	1ST QUARTER 1939.		1ST QUARTER 1938.	
	Quantity.	Value.	Quantity.	Value.
TOTAL	360	7,532	263	5,871
British India	70	1,565	41	732
China	23	691	39	985
Manchoukuo	48	1,000	23	556
Dutch India	3	55	2	70
Philippine Islands	194	3,150	123	2,652
Great Britain	2	27	3	400

The total imports of "Other Vegetable Fibres" into Japan during 1938 amounted to Y. 27 million in value as against Y. 41 million in 1937, registering a drop of 33·3 per cent. Purchases from India in 1938 fell by 54·8 per cent—from Y. 8·3 million in 1937 to Y. 3·7 million in 1938. Philippine Islands, the largest suppliers, fared no better—the imports from these Islands, declining by 48·8 per cent. A striking feature of the last year's trade was the phenomenal increase in Great Britain's exports of this class of goods which shot up from Y. 46,000 to Y. 973,000. In 1938 in imports of "Other Vegetable Fibres", India's share was 13·8 per cent, Philippine Islands 43·5 per cent, and Great Britain 3·6 per cent.

The total imports of "Other Vegetable Fibres" during the first quarter of 1939 showed an improvement as compared with the corresponding period of 1938, the imports increasing from Y. 5·8 million to Y. 7·5 million, in which India, Manchoukuo and Philippine Islands had a prominent share. The imports from India reached Y. 1,565,000 as against Y. 732,000 for the corresponding period of 1938.

(5) OIL YIELDING MATERIALS.

Imports of oil yielding materials are shown in the table below:—

(Quantity in 000 piculs; Value in 000 Yen.)

	1938.		1937.		1936.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
TOTAL	3,107	23,700	4,702	43,612	5,113	44,373
India	12	161	173	2,459	101	1,129
Manchoukuo	1,660	17,063	1,609	19,200	2,603	23,508
China	917	9,963	1,885	14,093	1,956	14,392
Straits Settlements	10	111	15	662	13	591
Dutch India	237	2,263	614	5,062	520	3,704
Kwantung Province	3	33	0·0	7	4	35

Importation of "oil yielding materials" into Japan dropped from Y. 43·6 million in 1937 to Y. 28·7 million in 1938, registering a decrease of 34 per cent. India, which supplied 56 per cent of the imports in 1937, made a poor showing last year—her share falling by 93·5 per cent. The only country which showed improvement was Kwantung Province imports from which increased from Y. 7,000 in 1937 to Y. 33,000.

The total imports of these materials during the first quarter of 1939 amount ed to Y. 5,986,000 as against Y. 9,246,000 of the corresponding term of 1938, while imports from India during the period were nil. In the same period of 1938 India, however, shipped Y. 161,000 worth of these materials.

(6) BEANS AND PEAS.

The following is a comparative statement of imports of beans and peas in 1937, 1938 and the first quarter of 1939 :—

(Quantity in 000 piculs, Value in 000 Yen)

Countries where from imported	1937.		1938.		1ST QUARTER OF 1939	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Manchoukuo . . .	11,229	84,708	13,499	98,541	5,223	39,700
Kwantung Province . .	44	133	90	918	28	330
China	441	3,635	221	2,184	71	805
British India	529	3,234	13	72	7	40
Dutch India	36	220	9	53	9	53
Asiatic Russia . . . .	..	..	..	..	..	..
Other	42	316	52	307	13	71
TOTAL	12,321	92,548	13,885	102,075	5,351	41,004

India's trade in this category has greatly dwindled since the separation of Burma. The imports from India in 1938 were reduced to Y. 72,000 as compared with Y. 3,234,000 of 1937—decline by 97·8 per cent. The total imports into Japan from all sources have, however, increased from Y. 92,547,000 to Y. 102,076,000 in 1938, a rise by 10·5 per cent. This was mainly due to increased purchases from the yen-bloc, specially Manchoukuo which supplied more than 96 per cent of the year's total shipments.

The most outstanding feature of the comparative statistics of the first quarter of 1939 and 1938 is India's phenomenal improvement in the former. While the total imports during the periods remained almost stationary, India's share jumped from Y. 741, to Y. 40,422 in 1939.

(7) OIL CAKES.

A comparative statement of imports of oilcakes in 1937, 1938 and the first quarter of 1939 is given below :—

(Quantity in 000 piculs ; value in 000 Yen)

Countries wherefrom imported.	1937.		1938.		FIRST QUARTER OF 1939.	
	Quantity.	Value	Quantity	Value.	Quantity.	Value.
Manchoukuo	5,810	29,062	9,445	49,946	3,534	20,051
Kwantung Province . .	1,277	6,870	1,382	8,056	688	4,312
China	1,294	6,143	395	1,956	220	1,197
British India	447	1,943	10	47	..	..
Dutch India	170	678	32	107	..	..
Other	3	14	..	..	..	..
TOTAL	9,010	45,310	11,264	60,112	4,442	25,560

The prospects of marketing Indian oilcake in Japan are very limited as almost all the supplies are obtained from the yen-bloc, principally Manchoukuo which sent out 83.1 per cent of the total consignments of 1938. India's share was reduced from Y. 1,943,000 to Y. 47,000 in 1938—a fall of 97.6 per cent while imports from Manchoukuo and Kwantung Province improved, respectively, by 68.3 per cent and 17.3 per cent.

As expected, there was no importation of this commodity during the first quarter of 1939 from India, shipments to Japan during the corresponding period of 1938 totalled Y. 47,000 in value.

(8) PIG IRON.

Since the middle of 1937, publication of statistics relating to various kinds of metals and ores has been discontinued, and in consequence figures for pig iron and iron scrap which are prominent in the import trade of Japan do not appear in the trade accounts. The following figures are reproduced from the Indian Sea-borne Trade statistics :—

	1936-37.	1937-38.	1938-39.
	Tons.	Tons.	Tons.
Pig Iron—			
Total Exports	571,310	629,203	511,427
Exports to Japan	306,173	312,123	330,038

As was perhaps to be expected, exports of this commodity actually show a slight improvement.

2 Even though it is not possible to comment on the course and volume of trade in this commodity in 1938-39, a brief review of the steel industry in Japan may be of interest. Before the outbreak of the China Incident in July 1937, measures were being considered for increasing the supply of the raw material so as to cope with the increasing demand from the munitions and other industries. In March 1937 a five-year iron and steel production plan embracing both Japan and Manchoukuo was formulated with the objective of producing 6.2 million metric tons of steel materials for 1941. The limit was subsequently raised to 10 million metric tons. For the success of this ambitious scheme it was essential that adequate supplies of iron ore and coke should be available, and hopes in this direction were pinned on the supplies from Manchoukuo and China. The supply of iron ore from the Yangtse region has, however, not materialised and coal for coking purposes is very inadequate on account of the hostilities with the result that the supply of pig iron has not come up to expectations. Blast furnaces which have been set up are not working to capacity.

As the supply was found to be inadequate the authorities were forced to control distribution in order to prevent diversion into unimportant channels. An "Iron Steel Control Council" was accordingly formed consisting of officials of the Government departments concerned, and representatives of the iron manufacturers and the principal consumers. The functions of this Council are to determine each quarter in advance the quantities of each kind of iron and steel that are to be produced, imported and distributed, as well as the

quantity of iron and steel manufactures for exportation. On the basis of the Council's decisions the Nippon Steel Materials Federation, an iron and steel production combine, allocates production quotas for the joint sales associations which in their turn fix quotas for their affiliated iron and steel manufacturing companies. Similar organisations have been formed by the consumers in different lines such as engineering and building, coal mining, the oil industry, the electric power industry, machinery manufacture, etc., with a view to control distribution of iron and steel. The machinery associations which are large in number have a central organisation designated the Nippon Federation of Iron and Steel Goods Manufacturers Associations which receives the consumption quota for the entire machinery industry. The distribution quota system was introduced in the second quarter of 1938, and was given legal sanction by the promulgation of a regulation in July 1938 which provides for imposition of penalties for dealing in iron and steel in contravention of the system.

In addition to the distribution quota system a sales system also exists. In September and October 1937, seven associations were organised for the sale of semi-finished goods such as bars, shapes, plates, wire rods, stripes and tubes. This was followed in March 1938 by the organisation of similar groups for sheets and tinplate and later still by the establishment of the Steel Ingot Association, an organ for the control of steel ingot production. Finally, the Nippon Steel Materials Federation was reorganised with a view to control all the iron and steel manufacturers of Japan. The object of the sales system under the Federation is to eliminate fluctuation of the prices resulting from speculative operations. Dealers who used to conduct these operations have under the new system been reduced to the status of mere commission agents. Sales are made on the basis of official quotations fixed by the respective associations, the price advances being restricted to well-defined limits.

As regards the distribution of pig iron, there were formerly two organisations—the Nippon Iron Manufacturing Company which controlled the sale of its own products and European, American and Bengal pig iron; and the Pig Iron Joint Sales Company which, with the Showa Iron Works in the background, dealt in Manchurian and Indian pig iron (products of the Burns and Tata companies). The establishment of the one price system for pig iron, eventually led to the unification of the two organisations and finally in July 1938 the Japan-Manchoukuo Iron and Steel Sales Company Limited was formed with a capital of 2 million yen which is shared by the Nippon Iron Manufacturing Company and the Nichiman Trading Company. The Company is distributing pig iron exclusively after taking over the sales business of the Nippon Iron Manufacturing Company and the Pig Iron Joint Sales Company and in this activity it plays a role similar to that of the Nippon Steel Materials Federation in the steel trade. The setting up of a distribution control council for scrap and special steel similar to that for pig iron and ordinary steels has also been decided and this council will fix quotas for the consumers once each quarter after duly considering both the demand and supply. It was decided to enforce the quota system for scrap from December 1938 and for special steel from January 1, 1939. The quota system has also been applied to semi-finished steel products such as polished hoops, cans, castings and five-gallon drums.

(9) SHELLAC.

Imports of shellac are not shown separately in the Trade Accounts for Japan. The following figures have been obtained from the Sea-borne Trade Accounts for British India :—

Exports from India.

(Unit One thousand.)

Year.	QUANTITY IN CWTs.			VALUE IN RUPEES.		
	To Japan.	Total Exports.	Percent- age.	To Japan.	Total Exports.	Percent- age.
1934-35 . . .	48	132	11.1	2,868	26,794	10.0
1935-36 . . .	54	285	18.0	1,871	10,351	18.3
1936-37 . . .	07	407	13.5	2,063	15,259	13.7
1937-38 . . .	37	410	9.0	1,003	11,087	9.0
1938-39 . . .	25	383	6.5	539	8,510	6.0

The entire quantity of shellac required by Japan is imported from Calcutta. The heavy decline which has occurred during the last two years in the imports from India is to be attributed mainly to the restrictive policy in regard to peace-time imports pursued by the Government since the outbreak of the China Incident and partly to the utilisation of indigenous substitutes. Of the total imports of Indian shellac, 40 per cent is utilised for the manufacture of gramophone discs and the balance for lacquerware and manufacture of varnish. Substitute materials have been found for both these uses in compound vegetable gums. It is difficult to say at this stage if the substitutes would prove as satisfactory as shellac.

The importation of shellac is carried out by an Association which was organised early in 1938 at the instance of Government and which consists of the following members :—

Mitsubishi Shoji Kaisha,

Kato Yoko,

Corns and Company, Apkar and Company, Kibi Shoten, Chugai Trading Co., Ltd., and Takedamatsu Shoten.

The office of the Association is located in the premises of the last named firm. Government permission to import last year was restricted to about 60,000 Yen per month, and the quantity thus obtained was distributed among the members in proportion to the actual imports made by each during the three years preceding the formation of the Association. The maximum price at which the importers' Association can sell to the consumers has been fixed at Y. 52.50 per picul.

(10) MICA.

Exports of mica from India to Japan as compared with exports to other countries in recent years are shown below :—

Exports from India.

(Unit One thousand.)

Year.	QUANTITY (CWTs.)			VALUE (RUPEES).		
	To Japan.	Total.	Percent- age.	To Japan.	Total.	Percent- age.
1934-35	6.5	103	6.2	383	6,907	5.5
1935-36	9.4	107	5.7	486	8,349	5.8
1936-37	9.7	180	5.4	657	9,406	7
1937-38	10.2	294	3.5	1,302	14,840	8.8
1938-39	27.7	162	17.1	2,891	11,112	25.3

It will be observed that Japan has increased her offtake of Indian mica both relatively and absolutely during the last two years. This commodity thus shares with pig iron the unique honour of having actually improved its position in Japan's import trade and for precisely the same reason, *viz.*, its usefulness for military purposes. Permission for importation of mica by the Finance and Commerce authorities is accorded only in cases in which the application is accompanied by a copy of the order placed for its supply by the military authorities or by any factory on the approved list of the military authorities. Small manufacturers were allowed in the beginning to import up to Y. 1,000 per month, this was cut down to half a few months ago and it is now reported that the supply to these consumers has been stopped altogether. Japan fulfils her requirements of mica to the extent of about 90 per cent from India, the balance is obtained from Canada, Chosen and Brazil. The supplies available from the last named countries are either inferior or too expensive. The largest demand is for the "Ruby" quality 5 to 6 square inches. The 6 square inch blocks are sold at prices ranging from Y. 16 to Y. 30 per lb. and the 5-inch blocks from Y. 12 to Y. 17 per lb. depending on the quality.

Export Commodities.

(1) COTTON PIECEGOODS AND YARN.

Exports of piecegoods and yarn from Japan are compared with exports to India in the following table :—

—	1935.	1936.	1937.	1938.	1st quarter of 1939.
<i>Cotton Piecegoods (in millions) (Quantity in sq. yds., value in yen).</i>					
TOTAL EXPORTS—					
Quantity	2,725	2,710	2,644	2,181	540
Value	490	484	573	404	86
EXPORTS TO INDIA—					
Quantity	556	480	327	470	130
Value	83	73	63	68	17
<i>Cotton Yarn (in millions) (Quantity in piculs, value in yen).</i>					
TOTAL EXPORTS—					
Quantity	280	332	380	316	122
Value	35.9	33.3	54.9	39.4	15.1
EXPORTS TO INDIA—					
Quantity	135	127	111	141	657
Value	20.1	18.1	19.8	20.5	7.1

DEPARTMENT OF COMMERCIAL INTELLIGENCE AND
STATISTICS, INDIA, CALCUTTA

REPORT

ON THE

WORK OF THE INDIAN GOVERNMENT TRADE
COMMISSIONER, OSAKA

DURING 1938-39

BY

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2. The following table brings out the distribution of exports of cotton piece-goods to India according to categories :—

Exports to India of Cotton Piecegoods (in thousands).

(Quantity in square yards ; value in yen.)

—	Greys.	Bleached.	Printed.	Dyed in piece.	Dyed in yarn.
1937.					
Quantity	118,704	73,266	102,255	23,567	8,750
Value	16,358	13,073	24,274	6,093	2,295
1938.					
Quantity	258,210	94,611	93,776	27,903	9,365
Value	31,009	13,741	18,567	5,751	2,101
1st quarter of 1939.					
Quantity	92,003	13,710	17,192	14,632	3,678
Value	10,043	2,203	3,100	2,003	676

An examination of the figures yields interesting results. Exports of cotton piecegoods in 1938 declined by 17 per cent as compared with the preceding year, but exports to India actually improved by the substantial margin of 47 per cent. Similarly, in the case of yarn exports, whereas the total showed a contraction of nearly 19 per cent the exports to India were up by nearly 30 per cent and were the highest during recent years. The figures for each category of piecegoods exports shows that the increase took place almost entirely under Greys, exports being more than double of those in 1937, the gains under other categories, with the exception of Prints which showed a slight contraction, being small. The average price per square yard for exports in 1938 was 18 sen as against 21·7 sen in 1937, and 17·8 sen in 1936. In the case of exports to India, the average prices per square yard compared as follows :—

(Sen per square yard.)

—	1937.	1938.	First quarter of 1939.
Greys	13·8	12·1	10·9
Bleached	17·8	14·6	16
Prints	23·7	19·8	18
Dyed in pieces	29·6	20·6	18·3
Dyed in yarn	26·2	23·2	18·4

3. The continuous fall in average prices, which the above figures indicate, are no doubt responsible for increased offtake of piecegoods by India, as the Indian market is notorious for taking advantage of a falling market on a speculative demand. As against this increase, exports to North America declined

by 86 per cent and to Central and South America, the Netherlands Indies and the Kwantung Province by approximately 50 per cent. The cotton import-export link system which was explained in the last Annual Report, was brought into force last July. Under this system the spinners were authorised to import raw cotton for manufacture into exportable textiles on condition that the latter would be sold abroad within two months in the case of grey cloth and three months in the case of finished piecegoods. The limits were considered inadequate. In order to comply with the Government requirements, the traders were forced to dispose of their stocks at reduced prices, since foreign prospective buyers, in possession of the knowledge of this export time-limit, could take advantage of the situation and wait till the last moment and then dictate prices for the conclusion of the deals. As a result, partly due to the operation of the link system, the average quotation of cotton piecegoods in December 1938 marked a great decline as compared with the price level prevailing in December 1937. Grey cloth dropped from Y. 0.173 in December 1937 to Y. 0.131 per square yard in December 1938, Bleached from Y. 0.181 to Y. 0.155 and Finished tissues from Y. 0.225 to Y. 0.199 per square yard. The expectations which were entertained in regard to the benefits from the "link system" were thus belied. It plunged the textile industry, on the other hand, into confusion, stimulated exports of grey goods which could be produced quicker at the expense of finished goods and was responsible for a fall in the prices of cotton piecegoods in general, in some cases below cost. A shortage of labour and increase in weaving charges was also noticed with the result that spinners were faced with rising costs of production and falling prices for their goods.

Two further measures were introduced by the Government in the latter part of 1938 with a view to improve and co-ordinate the activities of the cotton industry. In August a system was adopted whereby banks were authorised to accommodate loans to textile exporters within the total value of their orders from abroad with a stipulation that if the exporter concerned were unable to repay the loan in question the Government would compensate the resultant loss. The second measure related to the projected establishment of new trade promotion Agencies in 12 large cities in Europe, America, Asia and Africa. During the first quarter of 1939, a few minor revisions were effected in the cotton control system. These generally related to distribution and production of yarn and prices of certain types of cotton manufactures intended for the home market.

In the quarter January-March 1939, exports of processed goods show a fair improvement and some of the difficulties appear to have been surmounted. The following table supplied by the Japan Cotton Textile Exporters Association of India shows in regard to exports variations under each category as compared with the quota allotted under the Indo-Japanese Protocol:—

Details of cotton textiles exported to India in the 5th year.

	Grogs.	Bordered Grogs.	Bleached.	Prints.	Dyed in piece and in yarn.	Total.	Fents.
THE FIRST PERIOD. (April to September 1938.)							
Quantity of quota and re-exports	Yds. 63,397,038	Yds. 30,772,874	Yds. 31,552,226	Yds. 42,003,096	Yds. 35,312,267	Yds. 234,034,001	Lbs. 649,551
Quantity exported	63,106,833	30,772,874	34,845,274	48,183,724	17,398,773	224,200,478	639,023
Percentages	41.51%	13.72%	15.54%	21.48%	7.75%	100%	..
BALANCE	207,105	..	49,203,043	45,185,028	17,918,494	6,787,523	6,023
THE SECOND PERIOD. (October to March 1939.)							
Quantity of quota and re-exports	65,330,348	30,999,731	29,145,007	38,706,540	31,036,353	225,002,675	904,623
Quantity exported	102,010,886	31,001,700	82,322,153	43,871,418	30,853,221	241,535,381	1,109,023
Percentages	42.01%	13.11%	13.35%	18.10%	12.77%	100%	..
BALANCE	47,550,538	4001,906	49,107,050	45,080,872	777,129	415,053,306	4205,006

NOTE.—† Quantity exported in excess.

(2) RAYON.

The world production of rayon, including yarn and staple fibre, again broke all previous records and came within striking distance of the 2,000 million pound mark. The rayon output in 1938 for all countries (yarn *plus* staple fibre) aggregated 1,948 million pounds, an increase of 7 per cent over the 1,818 million pounds reported for 1937. Japan again held the first place with an output of 584.6 million pounds or 30 per cent of the world's total. Germany ranked second with a total of 471 million pounds or 24 per cent of the world total. The United States retained its hold on the third place as a world producer, but only by a thin margin over Italy. The American output of rayon yarn and staple fibre last year amounted to 287.5 million pounds as compared with 268.3 million pounds for Italy. The United States, however, regained its position as the world's largest producer of rayon filament yarn after having lost that distinction to Japan in 1937. The 1938 United States production of rayon filament yarn at 257.6 million pounds exceeded that of Japan's at 209.6 million pounds by 23 per cent. With the exception of Germany, the output of every principal rayon yarn producing nation in 1938 suffered by comparison with 1937. Japan's production declined by 37 per cent, the United States' 20 per cent and Italy's 5 per cent. Germany recorded a gain of 11 per cent. Production of rayon filament yarn and rayon staple fibre by countries for the past three years is shown below :—

(Unit : million pounds.)

	1938.	1937.	1936.
Japan	585	508	321½
Germany	471	344	193
United States	287	342	290
Italy	268	342	196
Great Britain	138	363	143
France	73	78	66
Netherlands	20	24	22
Belgium	13	17	14½
Canada	14	17	14½
Poland	22	16	13
Soviet Union	16	15	13
Others	41	41	35

2. Exports of rayon piecegoods and fibre are shown in the following table :—

(Unit : One million.)

(Quantity in square yards, Value in yen.)

—	1935.	1936.	1937.	1938.	1st Quarter of 1939.
RAYON TISSUES.					
Total Exports—					
Quantity	424	523	485	337	66
Value	128	140	155	116	26
Exports to India—					
Quantity	75	92	95	32	9
Value	22	26	32	12	3
ARTIFICIAL SILK FIBRE.					
Total Exports—					
Quantity	230	335	427	167	051
Value	22 9	29 2	44 8	17 9	5
Exports to India—					
Quantity	076	107	232	013	026
Value	7 6	8 7	23 2	1 3	2 4

The rayon industry in Japan has had to face very serious difficulties. There was an abrupt fall in the demand, both foreign and domestic, which led to a heavy accumulation of yarn in the hands of manufacturers and dealers. To remedy the situation, drastic curtailment of output was ordered which amounted to as much as 71 per cent by June 1938. To add to the confusion, a link system for artificial silk goods was adopted with effect from August 1. A remarkable feature of this system was that, whereas rayon companies were given the permit to import pulp as soon as they delivered yarn to exporters, in the case of rayon textiles, the delivery to exporters only entitled the manufacturers to receive yarn, the right to import pulp in such cases being given to the Rayon Association only, thus leading to difficulties in regard to distribution. Later on, an allotment system was adopted on the basis of efficiency of each producer, but still smooth working of the productive processes was not achieved. In October the link system was extended to cover rayon yarns used in the manufacture of hosiery and miscellaneous cotton goods. Meanwhile, demand both domestic and foreign, continued in a state of stagnation and a large number of companies turned to manufacture of staple fibre goods for which there was a brisk demand. The heavy curtailment of production led to the gradual absorption of stocks and by January actual shortage was experienced. Production could not, however, be increased to meet the increased demand on account of an acute shortage in the supply of pulp. As will appear from the figures, there was a heavy fall in exports of both rayon tissues and yarn to India as compared with 1937.

(3) STAPLE FIBRE.

World production of staple fibre in 1938 set up a new record with an estimated total of 858 million pounds. This compares with an output of 622 million pounds in 1937 and of only 20 million pounds in 1932. Exports of staple fibre products are shown in the following table :—

(Unit : 1,000.)

(Quantity in square yards, value in yen.)

—		1937.	1938.
<i>Piecegoods.</i>			
Total exports	Quantity .	16,753	60,357
	Value .	6,870	26,732
Exports to India	Quantity .	668	211
	Value .	256	87

(Quantity in piculs, value in yen.)

<i>Yarn.</i>			
Total exports	Quantity .	61	78
	Value .	10,360	10,626
Exports to India	Quantity .	14.7	15.1
	Value .	3,054	2,097

During the last two years, India, with the single exception of Manchoukuo, has been the principal market for Japanese staple fibre yarn. The exports of fibre and piecegoods are unimportant. A link system for staple fibre products was introduced with effect from October 1, under which pulp import rights were granted to manufacturing companies on the export of staple fibre products to countries outside the yen-bloc on a quantitative basis.

(4) SILK.

FIGURES OF EXPORTS OF RAW SILK.

(Quantity in thousand piculs, value in million yen.)

—	1936.		1937.		1938.		1st quarter of 1939.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Total exports	503	303	473	407	477	364	77	71.5
Exports to India	7.3	3.9	11	8.5	2.4	1.5	.8	.58

Figures of exports of silk tissues are shown below :—

(In millions.)

(Quantity in square yards and value in yen.)

	1936.		1937.		1938.		1st Quarter of 1939.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Total exports .	121	68	122	72	91	49	10	10
Exports to India .	24	13	20	14	18	8	3.2	1.0

It will be observed that both in raw silk as well as silk tissues, there has occurred a heavy decline in the exports to India during the period under review. The sericultural industry in Japan in 1938 was faced with peculiar difficulties. To begin with, there was a failure of the cocoon crop, the national production of cocoons for the spring sericultural season falling by 10.2 per cent and for the autumn season by about 20 per cent the total production showing a reduction of 12 per cent over 1937. The failure of the crop was due primarily to the shortage of labour brought about by the hostilities in China and partly to the fear of a fall in the cocoon price. On the other hand, a sharp increase was witnessed in the demand for raw silk. The shipments to America, due to depletion of stocks, started showing improvement from July 1938 and this was coupled with an enormous increase in domestic consumption, due to the ban on the use of pure cotton and woollen textiles. Dealers who had foreseen the possibility of a shortage of supply simultaneously commenced speculative buying operations on a large scale. The cumulative effect of these factors was that raw silk prices, since the beginning of July, advanced heavily. The quotation for the basic quality which stood at Y. 682 per bale in January 1938, advanced to Y. 795 in July and further to Y. 830 in November. It touched the Y. 1,000 mark on February 28. In order to stem the tide of rising prices, the Government decided to release 37,000 bales of its holdings in accordance with the Raw Silk Price Stabilisation Law of 1937. But this proved of no avail as speculative interests throughout the country were concentrating on this one commodity, and prices rose to nearly Y. 1,100 in March 1939. Prices of silk textiles have advanced in sympathy with raw silk prices and rose by about 100 per cent as compared with prices prevailing in June 1938. The Government in order to check the rise invoked the Commodity Price Regulations of 1938, and in March announced that silk tissues and silk manufactures shall not be sold at a price higher than that prevailing on January 10, 1939, which meant the lowering of prices on an average by 25 per cent. The decline in the exports to India is primarily attributable to the prevailing high prices in Japan. Efforts are being directed to increasing the productive capacity in the current year, but so long as restrictions on the use of other textile fibres continue, it is not anticipated that any substantial decline in the prices will take place.

CHAPTER VI.

PRICES.

The general advance of prices which was witnessed in the wake of the China Incident constituted a threat to the economic stability of the country. The Government was, therefore, forced to invoke and strengthen the provisions of the Anti-Profiteering Ordinance of 1917 through the promulgation of a new Ordinance in August 1937 in order to counteract this tendency. The first step in this direction was the fixation of maximum prices. These were fixed in the beginning through voluntary agreements among the various trade associations concerned. Raw cotton and cotton yarn were the first to receive attention, but the control was subsequently extended to cover staple fibre, staple fibre yarn, cotton tissues, crude rubber, quicksilver and sulphate of ammonia. In respect of cotton yarn, however, the system of voluntary control of prices by the manufacturers proved ineffective and an Ordinance was promulgated towards the end of May 1938, prohibiting sales of cotton yarn at a price exceeding the maximum quotation to be fixed and made public twice monthly by the Minister of Commerce and Industry. The sale of the commodity under any device whatsoever which may have the effect of raising the maximum was also prohibited. A Central Price Committee to act in an advisory capacity was also established in April 1938 and it came to the conclusion that commodity prices within the country should not be allowed to rise above the level then prevailing (at the end of May) and should, if possible, be lowered to pre-China Incident levels. In their Report to the Government, the Committee submitted an elaborate plan for fixing official standard prices for various commodities.

With the beginning of the second half of 1938, on the recommendation of the Central Price Committee, an official price-card system was introduced in respect of almost all articles, replacing thereby the hitherto autonomous voluntary control of prices exercised by commercial and industrial bodies by Government direction. Accordingly, standard prices were in stages fixed for a large number of articles such as various kinds of cotton and woollen manufactures, hemp and ramie made goods, wood, leather and rubber goods, articles made of aluminium and alumnite, industrial chemicals, coal, charcoal, ice, old and reclaimed rubber, paper and paper materials, enamelled ironware, scrap iron and steel, remelted pig iron, gum arabic, rosin, borax, lactic casein, eggs, etc. A noticeable change in the Government's policy towards controlling these prices was made on July 9. The fixation of standard prices had hitherto been done through the introduction of individual measures applicable to specified commodities, but on July 9, through the promulgation of a Ministerial Ordinance, this policy was discarded in favour of a Commodity Price Regulation embodying the principles of all the controlling piece-meal measures. An exception was, however, made in the case of woollen yarn the price of which was regulated by a separate Ordinance enforced on the 26th August 1938, passed in accordance with the Law relating to Temporary Regulation of Import and Export.

On October 29, the Central Price Committee published their recommendation fixing standard prices for staple fibre tissues, parasols and umbrellas, dammar gum, copal gum and clogs. They also revised the prices for rosin,

shellac, carbon black, zinc, white, red lead, litharge, "todo" and several varieties of woollen tissues. Two days previously the Ministry of Commerce and Industry had already issued a notification placing the following commodities under the Commodity Price Control Regulation: parasols and umbrellas, dammar gum, copal gum, copra, palm oil, aluminium scrap and matches. On November 11, the Price Committee fixed standard prices for matches and certain types of woollen manufactures and also revised the already-fixed prices of coal for domestic use and another set of woollen tissues. On November 14, official prices were fixed for matches in accordance with Article I of the Commodity Price Control Regulation. Simultaneously, an important decision was reached by the Ministry of Commerce and Industry whereby it was resolved that the enforcement of price control in respect of various commodities be entrusted to a number of supervisory commercial associations. On December 13, the Ministry placed cresol and charcoal under the hammer of the Commodity Price Regulation. The Central Price Committee recommended on December 19, fresh standard prices for staple fibre tissues materials for reclaimed wool, cresol, copal and palm oil. A revision was also made in the standard prices of boots and shoes. On December 26, the selling price of superphosphate of lime for January-July delivery was enforced by the Government. Two days later, the Minister of Commerce and Industry designated old and waste wool to be governed by the Commodity Price Regulation. It may be mentioned that earlier in the month of December 1938, the Government issued instructions to all Prefectural Governors asking them to exercise their influence towards maintaining the price level of commodities prevailing at the end of November 1938 as it was feared that the usual heavy year-end shopping might lead to abnormal inflation of prices.

On January 9, 1939, the Price Control Law was again modified so as to exempt cotton yarn, woollen yarn, rayon, staple fibre and staple fibre yarn from its control. On February 3, the Central Price Committee announced standard prices for printing paper, cotton tissues and rubber shoes for the control association supervising distribution among farmers and fishermen (retail prices), several new kinds of staple fibre products and in addition revised the previously-fixed retail prices of certain types of woollen tissues. The Government three days later announced a fresh notification which sought to bring under the Commodity Price Regulation soya bean seeds, Japanese wax seed and wax, and certain varieties of agricultural implements. On February 27, the Central Price Committee recommended standard prices for thrashers and other agricultural implements, staple fibre towels, woollen blankets, rayon tissues, some kinds of cotton tissues, and on March 11 they announced prices for coffee, staple fibre tissues, iron nails, iron wire, and following it up on March 15 by announcing standard prices for silk tissues. On March 23, the Committee announced prices for muslin (mixed with staple fibre), woollen waste and rags, tyres and tubes, some kinds of silk tissues, on March 30 for sugar, beer, "*sake*," aerated waters, galvanized sheets and several kinds of silk and rayon tissues.

The movement of prices in general and cost of living is indicated month by month below :—

April, 1938.

As compared with March, the average wholesale prices during April 1938 showed a slight decline of 0.4 per cent due to the Government control of prices

and depressed foreign markets (the index being based on December 10, 1931 =100). The retail prices (Index basis, November 1931=100) were however the highest since June 1926 the index showing an advance of 2·6 per cent as compared with the preceding month.

The following are the indexes :—

—	April 1938.	March 1938.	April 1937.
General wholesale price index	197·9	198·7	196·5
Retail price index	151·8	148·00	132·0
Cost of living index (July 1937=100) :—			
Working class	108·0	106·8	..
Salaried men	107·5	103·3	..

Spot quotations for *raw cotton* in the Osaka market declined generally as compared with the previous month. The decline which was substantial in the last week of April was more marked in the case of the Indian cotton than the American. Bengal, Broach and Akola which remained steady during almost the first three weeks, weakened towards the end of the month. The American varieties, however, remained firm throughout. The following were the quotations prevailing during the three decades of April 1938 :—

—	BROACH.		AKOLA.		BENGAL.		S. MIDDLING.		MIDDLING.	
	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
April 1st to 10th	47·50	46·50	43·75	42·75	39·00	38·00	58·50	57·50	50·50	55·50
April 11th to 20th	47·50	46·50	43·75	42·75	39·00	38·00	58·75	57·50	50·75	55·50
April 21st to 30th	47·25	46·00	43·50	42·25	38·75	37·00	58·50	57·50	50·50	56·11
Average for the month	47·42	46·00	43·67	42·58	38·02	37·67	58·58	57·50	50·42	55·70

Quotations, average for the month, at Bombay and New York Bourse, were as follows :—

—	Highest.	Lowest.
Indian (Broach) per bale	Rs. 164·12·0	Rs. 155·12·0
American per lb.	Cents. 9·23	Cents. 8·64

Quotations for *cotton yarns* and *cotton piecegoods* in the local market generally declined in sympathy with the lower raw cotton prices abroad. Following were the prices ruling during the three 10-day periods of the month :—

List of Agents in India from whom Government of India Publications are available.

(a) PROVINCIAL GOVERNMENT BOOK DEPOSITS.

ASSAM :—Superintendent, Assam Secretariat Press, Shillang.
BIHAR :—Superintendent, Government Printing, P. O. Gulzarbagh, Patna.
BOMBAY :—Superintendent, Government Printing and Stationery, Queen's Road, Bombay.
CENTRAL PROVINCES :—Superintendent, Government Printing, Central Provinces, Nagpur.
MADRAS :—Superintendent, Government Press, Mount Road, Madras.
NORTH-WEST FRONTIER PROVINCE :—Manager, Government Printing and Stationery, Peshawar.
ORISSA :—Press Officer, Secretariat, Cuttack.
PUNJAB :—Superintendent, Government Printing, Punjab, Lahore.
SIND :—Manager, Sind Government Book Depot and Record Office, Karachi (Sadar).
UNITED PROVINCES :—Superintendent, Printing and Stationery, U. P., Allahabad.

(b) PRIVATE BOOKSELLERS.

Advani & Co., The Mall, Cawnpore.
Aera Stores, Karachi.*
Army Musketry Stores, Maga (Punjab).†
Banthiya & Co., Ltd., Station Road, Ajmer.
Bengal Flying Club, Dum Dum Cantt.*
Bbawnani & Sons, New Delhi.
Bombay Book Depot, Charni Road, Girgaon, Bombay.
Book Company, Calcutta.
Booklover's Resort, Talkad, Trivandrum, South India.
British Book Depot, Lucknow.
British Book Depot, Risalpora.
British Stationery Mart, Booksellers, Peshawar Cantt.
Buckingham & Co., Booksellers and Stationers, Greenwood Street, Slalkot City.
Burma Book Club, Ltd., Rangoon.
Cambridge Book Co., Booksellers, New Dak Bungalow Road, Patna.
Chandrakant Chimanlal Vora, Ahmedabad.
Chatterjee & Co., 3, Bacharam Chatterjee Lane, Calcutta.
Chiney & Sons, Booksellers, etc., Dhantoli, Nagpur, C. P.
Chutkervetty, Chatterjee & Co., Ltd., 13, Collego Square, Calcutta.
Das Gupta & Co., 54/3, Collego Street, Calcutta.
Dastane Brothers, Home Service, 456, Raviwar Peth, Poona 2.
Delhi and U. P. Flying Club, Ltd., Delhi.*
Deshmukh Book Depot, Station Road, Shalapur.
English Book Depot, Ferazepore.
English Bookstall, Karachi.
English Book Depot, Taj Road, Agra.
English Book Store, Abbottabad, N.-W. F. P.
Faqr Chand Marwab, Peshawar Cantonment.
Higgmbathams, Madras.
Hindu Library, 137-F, Balamaram De Street, Calcutta.
H. L. Callego of Cammeron, Co-operative Stores, Ltd., Ahmedabad.
Hyderabad Book Depot, Chaderghat, Hyderabad (Deccan).
Ideal Book Depot, Rajpur Road, Dehra Dun and Bombay Bazar, Meerut.
Imperial Book Depot and Press, near Jama Masjid, (Machhi-lwan), Delhi.
Imperial Publishing Coy., Lahore.
Indian Army Book Depot, Dayalbagh, Agra.
Indian Army Book Depot, Daryaganj, Delhi.
Indian School Supply Depot, Central Avenue, Santh, P. O. Dharamtala, Calcutta.
International Book Service, Poona 4.
Jaina & Bros., Mari Gata Delhi, and Connaught Place, New Delhi, Messrs. J. M.
Jashl, News Agent, Dargad Baria vid Piplo, Bombay, Mr. V. G.
Kamala Book Depot, 15, Callego Square, Calcutta.
Kansli & Co., 9, Commercial Buildings, The Mall, Lahore, Messrs. N. C.
Karnataka Sahitya Mandir, Dharwar (S. India).
Keale & Co., 65, Britto Road, Karachi (Sadar).
Kitabistan, 17-A, City Road, Allahabad.
Krishnaswami & Co., Teppakulam P. O., Trichinopoly Fort, Messrs. S.
Lahiri & Co., Ltd., Calcutta, Messrs. S. K.

London Book Co. (India), Arbah Road, Peshawar, Murree, Nawshera and Rawalpindi.
Lyal Book Depot, Lyallpore.
Malhatra & Co., Post Box No. 94, Lahore, Messrs. U. P.
Mathur & Co., Messrs. B. S., Chatur-Vilas, Paata, Civil Lines, Jodhpur (Rajputana).
Minerva Book Shop, Anarkali Street, Lahore.
Modern Book Depot, Bazar Road, Slalkot Cantt.
Mohamud Dossabhai Shah, Rajkot.
Mohan News Agency, Kotah (Rajputana).
National Welfare Publicity Ltd., Mangalore.
Now Book Co., "Kilah Mahal", 192, Hornby Road, Bombay.
Newman & Co., Ltd., Calcutta, Messrs. W.
Oxford Book and Stationery Company, Delhi, Lahore, Simla, Meerut and Calcutta.
Parikh & Co., Baroda, Messrs. B.
Pioneer Book Supply Co., 20, Shih Narayan Das Lane, Calcutta and 219, Cloth Market, Delhi.
Popular Book Depot, Grant Road, Bombay.
Punjab Religious Book Society, Lahore.
Punjab Sanskrit Book Depot, Lahore.
Raghunath Prasad & Sons, Patna City.
Rama Krishna & Sons, Booksellers, Anarkali, Lahore.
Rama Krishna Bros., Opposite Bishrambag, Poona City.
Ramesh Book Depot and Stationery Mart, Kashmir Gate, Delhi.
Ray & Sons, 43, K. & L. Edwardes Road, Rawalpindi, Murree and Peshawar, Messrs. J.
Reliance Stores, Booksellers, Princess Street, Karachi.
Ray Chaudhury & Co., 72, Harrison Road, Calcutta, Messrs. N. M.
Sarawatil Book Depot, 15, Lady Hardinge Road, New Delhi.
Sarear & Sons, 15, Callego Square, Calcutta, Messrs. M. C.
Sharada Mandir, Ltd., Nai Sarak, Delhi.
Standard Book Depot, Cawnpore.
Standard Book Depot, Lahore, Delhi and Simla.
Standard Bookstall, Karachi.
Standard Bookstall, Quetta.
Standard Law Book Society, 79/1, Harrison Road, Calcutta.
Subhan, Book-Seller and Publisher, Bilaspur C. P., Mr. M. A.
Swaminatha Sivam & Co., Paddukatah, Messrs. P. N.
Tanawada & Sons, Booksellers, Sangli.
Tara & Sons, Razmak (India), Messrs. B. S.
Taraporevala Sans & Co., Bombay, Messrs. D. B.
Thacker & Co., Ltd., Bombay.
Thacker, Spink & Co. (1933), Ltd., Calcutta.
Tripathi & Co., Booksellers, Princess Street, Kalbadevi Road, Bombay, Messrs. N. M.
Uberoy, J. C., Journalist, Printer and Publisher, Jayces House, Alexandra Road, Ambala.
University Book Agency, Kacheri Road, Lahore.
Upper India Publishing House, Ltd., Literature Palace, Ammuddaula Park, Lucknow.
Varadachary & Co., Madras, Messrs. P.
Venkatasubban, A., Law Bookseller, Vellare.
Wheeler & Co., Allahabad, Calcutta and Bombay, Messrs. A. H.
Young Man & Co. (Regd.), Egerton Road, Delhi.

Cotton Yarn (per bale).

20s Temple Bell.		20s Gold Fish.		10s/2 Deers.		16s/2 Seamen.		30s/2 Deer.		32 1/2 Deer.		42 1/2 Pheasants.		60 1/2 White Phoenix.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
234	231	232	226	217	214	210	213	284	281	300	306	349	346	615	615
237	231	234	228	220	214	210	213	289	278	313	307	347	353	620	620
236	233	234	230	219	215	218	214	283	285	313	310	353	350	625	620

Cotton Piecegoods.

Sheeting "Dragon C."		Drill "Geese."		Jeans "Face."		4 1/2 Shirting "Ring."		30" Shirting "Ganko."		Cotton Sateen Drill 5 Shafts, 2 "Dragons."	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
7-250	7-250	7-160	7-150	5-900	5-800	12-800	12-500	14-450	14-350	0-22750	0-22500
7-250	7-100	7-100	6-950	5-850	5-750	12-450	12-400	14-350	14-300	0-22500	0-22000
7-000	6-000	6-650	6-600	5-700	5-650	12-400	12-000	14-300	14-000	0-22000	0-21750

The *Rayon* market was depressed owing to a decrease in domestic consumption and exports. Stocks, however, increased despite lower output. The average quotation for the month (120 denier, 100 lbs.) was Y. 74.13 as compared with Y. 74.52 in March and Y. 85.02 a year ago.

The price of *Pig Iron* fixed in October 1937 at Y. 88.50 per ton remained stationary. The changes arising from the demand for the munitions industry are reflected in the quotations prevailing during the corresponding months of the last four years.

PIG IRON.

	1935.	1936.	1937.	1938.
April	54.43	54.70	87.97	88.50

In order to meet the shortage of supplies of leading metals, the Government enforced restrictions on the use by private bodies of such metals as gold, platinum, iron, steel and copper. A Ministerial Ordinance was published on April 23, further restricting the use of copper and copper alloys for the manufacture of practically all articles other than armaments and munitions. Two days after, another Ordinance was issued prohibiting the use of pig iron for the manufacture of cast iron articles of 47 descriptions without the permission of the Governors of the various Prefectures.

May, 1938.

In spite of stricter control on prices and distribution, commodity prices showed a slight advance, the index for May rising by 6 per cent compared with June last year, the month immediately before the outbreak of the Sino-Japanese hostilities. Wholesale prices which showed a slight decline in April registered an advance of 0.9 per cent, the level reached being 3.6 per cent higher than in the corresponding month of 1937. Enforcement of various price control measures within the country and the downward movement of world prices failed to arrest this advance which was brought about by a shortage of commodities. Advance was most pronounced in metals (2.7 per cent) and textiles (2.6 per cent). Retail prices remained unchanged as compared with April, but were 15.0 per cent higher than a year ago—food-stuffs advancing 9.5 per cent, fuel 36 per cent, clothing 21.4 per cent and miscellaneous goods 15.5 per cent. The index of cost of living again showed an advance of 0.3 per cent for the working class and 0.2 per cent for salaried men, the maximum rise occurring in clothing. The following indexes show the general trends of price and cost of living during the month :—

	May, 1938.	May, 1937.
General wholesale price index	199.7	192.8
Retail price index	151.8	132.0
Cost of living index—		
Working class	109.3	..
Salaried men	107.7	..

Quotations for raw cotton at Osaka were lower. The decline was most pronounced towards the end of the month. All the varieties excepting American Middling which firmed up a little in the second decade, exhibited a weak tone.

	Broach.		Akola.		Bengal.		St. Middling.		Middling.	
	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
1st 10 days	44-00	42-75	40-25	39-00	35-00	33-75	55-00	54-25	53-00	52-25
2nd 10 days	43-25	42-75	39-75	39-25	34-25	33-75	55-00	53-00	53-00	52-50
3rd 10 days	42-50	39-75	39-00	38-25	33-50	30-75	51-50	51-00	52-50	49-00
Average for the month . .	43-25	41-75	39-67	38-17	34-25	32-75	54-83	52-75	52-83	51-25

Average quotation for Indian raw cotton (Broach) at Bombay for the month was Rs. 160-10-0 highest and Rs. 150-12-0 lowest. Prices for American cotton on New York Bourse during May were : Highest c. 8-91 per lb. and Lowest c. 7-85 per lb.

Prices of *cotton yarn* witnessed a sharp decline from the middle of the month affected by the lower price movement of raw cotton. The extension of official prices to the long-term market also adversely influenced yarn quotations.

Cotton Yarn.

May.	20s Temple Bell.		20s Gold Fish.		16s 2 Deers.		16s Seamen.		30s 2 Deers.		32 1/2 2 Deers.		42 1/2 Pheasants.		60 1/2 White Phoenix.	
	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
1st period	221	223	222	220	211	200	210	208	275	274	300	299	341	340	620	600
period	221	223	222	220	211	200	210	208	276	274	300	299	341	340	600	183
period	221	214	219	211	208	200	207	100	273	261	298	289	338	320	483	471
rate	223	230	221	217	213	200	209	205	275	271	290	296	340	336	568	518

As in the case of cotton yarn, quotations for cotton piecegoods dropped heavily from the middle of May in unpathy with lower prices of raw cotton.

Cotton Piecegoods (price per piece).

Sheeting "Pragon C", 1		Drill "Geese", 2		Jeans "Face", 3		44" Shirting "Ring", 4		30" Shirting "Gaucho", 5		Cotton Sateen Drill 5 Shafles "Draccons", 6	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
6-750	6-700	6-650	6-600	5-000	5-550	12-000	11-400	14-000	13-300	0-21750	0-21375
6-700	6-600	6-600	6-550	5-450	5-350	11-200	11-000	13-300	13-000	0-21375	0-21375
6-600	6-550	6-550	6-500	5-350	5-250	10-800	10-00	13-000	12-000	0-21375	0-21250
Average—											
6-683	6-617	6-600	6-550	5-500	5-383	11-333	10-800	13-433	13-000	0-21500	0-21333

Quotations for Rayon which had remained at low levels under the pressure of accumulating stocks, firmed up sharply towards the end of the month, reaching Y. 90 per 100 lbs., the highest price since January, 1937. The advance was due to increased curtailment of production rate and to a rise of prices of staple fibre yarn. The average for the whole month was, however, Y. 75.63 (120 denier, 100 lbs.) as compared with Y. 81.83 of May, 1937.

Price of *pig iron* was slightly forced up due to heavy purchases in expectation of a shortage in supplies and the enforcement of regulations relating to production, marketing and consumption.

	1935.	1936.	1937.	1938.
May	54.70	54.70	85.50	88.55

June 1938.

The month of June marked a considerable advance of prices over May. Price index prepared on the basis of 1913 as 100 for 68 major articles reveals that although advances were registered all round, the more noticeable changes occurred in the lines in which the restriction of consumption had been more rigorously applied. Based on the index mentioned above, the changes that occurred in a month amongst the different groups of commodities are indicated below :—

	End of		Change in Month.	Change in percentage.
	May.	June.		
Grains and cereals	218.9	224.4	+5.5	+2.5
Other foodstuffs	215.2	216.0	+0.8	+0.4
Textiles and materials thereof	225.6	308.9	+83.3	+37.0
Metals	271.0	337.2	+66.2	+24.4
Miscellaneous goods—				
Fuels	249.0	249.0	..	..
Building materials	287.5	299.1	+11.6	+4.0
Industrial materials	367.4	419.2	+51.8	+14.1
Fertilizers	115.2	145.4	+30.2	+26.2
Paper	225.0	225.0	..	..
Average	278.3	296.1	+17.8	+6.4
All articles	248.4	286.5	+38.1	+15.3

It will be observed that in spite of the Government's endeavours commodity prices showed a substantial advance of 15.3 per cent over the preceding month. In fact, tabulated on the same basis, prices at the end of June had reached not only a peak in recent years but the highest level on record in Japan with the single exception of 315.8 for March, 1920, and had risen 54 per cent higher than prices in England and 76 per cent higher than in America in the same month.

The range of price fluctuation however considerably narrows down if the index is based upon December 10, 1931=100 (the date of Japan's abandonment of the Gold Standard) for the wholesale prices and November 1931=100 for retail prices, as in the case of the months of April and May dealt with in this Report. According to such compilation, wholesale prices in June showed an advance only of 4.8 per cent over the preceding month, but as compared with June, 1937, were 11.1 per cent higher. Shortage of supplies of raw materials in Japan, a boom in exports to North China and Manchuko and trade recovery in America were factors which contributed to this advance. During this month, restrictions on steel prices quoted by merchants were put into effect and an official price fixing system was adopted for staple fibre, staple fibre yarn and rayon. Success of Government measures for the control of prices was, however, better reflected in retail prices, the index showing a decline, though fractional, for the first time after a sustained rise during the past one year. But when compared with the prices prevailing a year ago, the index still showed an advance of 14.9 per cent, the most pronounced rise being witnessed in light and fuels (32.6 per cent), clothing (21.4 per cent), miscellaneous goods (16.6 per cent) and foodstuffs (9.1 per cent). The index of the cost of living showed a continued upward movement, the rise compared with a year ago being about 9 per cent.

	June, 1938.	June, 1937.
General wholesale price index (December 10, 1931=100)	209.2	188.3
Retail price index (November, 1931=100)	151.2	131.6
Cost of living index (July, 1937=100)—		
Working class	109.0	..
Salaried men	108.4	..

Quotations for raw cotton at Osaka firmed up, since the middle of the month, Akola amongst the Indian group and Strict Middling amongst the American showing considerable buoyancy. The average figures for the whole of June, however mark a decline, influenced no doubt by the extraordinary bearishness of the market during the beginning of the month.

Broach.		Akola.		Bengal.		Strict Middling.		Middling.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
40-25	39-00	36-75	35-50	31-25	30-00	51-75	50-00	49-75	48-00
41-00	40-00	37-75	36-50	32-00	31-00	53-25	51-75	51-25	49-75
42-00	41-75	38-75	38-50	33-00	32-75	55-00	54-50	53-00	52-50
Average—									
41-08	40-25	37-75	36-83	32-08	31-25	53-33	52-08	51-33	50-08

Average quotations for Indian Cotton (Broach) and American cotton at Bombay and New York were as follows :—

		Highest.	Lowest.
Indian (Broach) per bale.	. . . . .	Rs. 153	Rs. 142-4-0
American per lb.	. . . . .	C. 8-93	C. 8-01

Quotations for cotton yarn advanced in sympathy with higher American raw Cotton but declined below maximum prices when domestic consumption was severely restricted.

20s Temple Bell.		20s Gold Fish.		10s 2 Deers.		10s Seamen.		30s 2 Deers.		32/2 2 Deers.		12/2 Pheasants.		60/2 White Phoenix.	
1		2		3		4		5		0		7		8	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
209	205	207	202	100	102	195	191	250	254	283	278	322	318	410	455
221	214	210	211	203	200	207	199	273	204	298	280	338	329	433	471
218	214	210	212	205	201	204	200	271	267	204	290	334	330	471	405
Average— 213	211	214	208	203	108	202	197	208	262	202	280	331	326	471	404

Quotations for cotton piecegoods, specially of sheetings and drills, formed up during the first three weeks, but displayed a subdued tone during the last decade. The average for the month, however, reveals a general deterioration as compared with May.

Cotton Piecegoods (Price per piece).

Sheeting "Dragon C".		Drill "Geese".		Jeans "Face".		44" Shirting "Ring".		30" Shirting "Ganko".		Cotton Sateen Drill 5 Shafts 2 "Dragons".	
1		2		3		4		5		6	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
6-700	6-550	0-050	6-500	5-350	5-250	9-500	0-100	12-800	12-050	0-24750	0-21250
0-700	6-700	0-700	0-050	..	..	0-300	0-200	12-050	12-600	0-20000	0-22500
6-650	6-650	0-600	0-400	..	..	9-200	0-200	12-500	12-500	0-24000	0-22500
Average— 0-083	0-600	6-650	6-517	5-350	5-250	0-333	0-107	12-650	12-583	0-2402	0-2203

Rayon quotations fluctuated widely during the month, reaching the highest level since 1934. The average for the month rose to Y. 92.92 as against Y. 75.63 for the preceding month and Y. 84.35 for June, 1937. Production curtailment, speculative transactions and expectation that official prices for rayon would not be finally fixed in the near future as well as the fixation of a rather high maximum price for staple fibre forced up the quotations which however toned down towards the end of the month as a result of the Government's reported decision to adopt a link system between rayon exports and the import of pulp.

Iron and Steel, market remained depressed despite a shortage in supplies owing to official control or iron and steel distribution which came into force on June 20. The average price of pig iron for the month remained, however, stationary. The following are the comparative figures :—

—	1935.	1936.	1937.	1938.
June	51.70	54.70	85.50	88.50

July, 1938.

Owing to the intensification of price control, wholesale prices in July averaged only 1.4 per cent higher than the preceding month, the price level towards the close of the month showing a marked declining tendency in contrast to the upward movement of general world prices. Compared with July, 1937, the wholesale price indicated a gain of 13.2 per cent. Government regulations relating to the restriction of production and use in respect of leather, steel products, rubber, lead, zinc, tin, antimony, nickel, machine tools, copper and American lumber and those relating to licensing of constructional undertakings involving the use of iron and steel were introduced during the month, considerably influencing price movement in these directions. The retail price index showed a rise of 1.2 per cent as compared with the previous month, caused mainly by the enforcement of restriction on the domestic use of certain necessities of life, but the index displayed a great advance of 15.6 per cent as compared with the corresponding period of a year ago. The rise in the prices of commodities for domestic use had its natural effect in advancing the cost of living.

—	July, 1938.	June, 1938.	July, 1937.
General Wholesale price index (Dec. 10, 1931=100)	211.5	211.5	189.5
Retail price index (Nov., 1937=100) . . .	153.1	151.2	132.4
Cost of living index (July, 1937=100)—			
Working class	112.2	109.0	100
Salaried men	111.0	108.4	100

Spot quotation of raw cotton at Osaka which firmed up during the last 10 days of June showed a general bearish tendency throughout July, the Indian varieties, however, spurting up a little towards the close of the month.

The average prices during the month at Osaka, Bombay and New York may be indicated as below :—

		Broach.	Akola.	Bengal.	Strict Middling.	Middling.
<i>Osaka.</i> —	Highest . . .	41.42	38.42	32.58	54.08	52.08
	Lowest . . .	40.00	37.00	31.42	52.58	50.58
<i>New York Bourse.</i> —American cotton, May, sec. per lb.						Highest . . . c. 9.24 Lowest . . . c. 8.74
<i>Bombay.</i> —Indian (Broach), July-August, sec. per candy						Highest . . . Rs. 158½ Lowest . . . Rs. 148½

Prices of cotton yarn which now came to be governed entirely by market conditions abroad owing to its manufacture exclusively for export as a result of the enforcement of the import and export link system, were a little lower than the previous month. The average price per bale was Y. 200.91 as against Y. 207.73 of June, 1938 and Y. 263.07 of July, 1937.

Rayon market remained generally depressed throughout the month. Quotations showed a downward trend in anticipation of official maximum prices under the import-export link system. The average price per 100 lbs. of rayon 120 denier, in July, 1938, was Y. 93.38 as compared with Y. 92.92 during the preceding month and Y. 80.50 during July, 1937. In accordance with the law relating to the Temporary Regulation of Imports and Exports, a Rayon Price Control Ordinance was promulgated on July 22 and enforced on July 25.

Quotation for raw silk for the month reached the highest level since September, 1937. Restriction on the manufacture of woollen and cotton goods for local use created a large demand for silk tissues in the domestic market. This, together with the signs of economic recovery in the United States was responsible for advancing the prices of silk tissues as well. The average price for raw silk was Y. 795.82 per bale as compared with Y. 704.80 of the preceding month, the highest, Y. 830, was reached on July 16.

Iron and Steel market remained inactive during July. Prices of Steel Products declined sharply from Y. 245.00 per ton in June to Y. 215.00 in July in the case of round bars, and for plates from Y. 406.67 to Y. 265.00. Owing to official control by which transactions were put under a system of license from July 1, while the price of pig iron remained pegged at Y. 88.50 per ton.

August, 1938.

The action taken by the Government to curb prices during July made itself felt in the following month. Mainly as a result of this, and partly influenced by the reactionary decline of world commodity prices, the Index of wholesale prices in August registered a decline for the first time after an un-interrupted advance since October, 1937. The decline although of only 0.8 per cent was therefore significant. Compared however with the corresponding month of a year ago, the index was still 14.1 per cent higher, all groups excepting metals showing a rise.

DEPARTMENT OF COMMERCIAL INTELLIGENCE AND STATISTICS, INDIA.

1, Council House Street.

No. J. T. C. R.-2.

Calcutta, 14th October, 1939.

FROM

J. V. JOSHI, Esq., M.A. (Cantab.),

Offg. DIRECTOR-GENERAL OF COMMERCIAL
INTELLIGENCE AND STATISTICS.

TO

THE SECRETARY TO THE GOVERNMENT OF INDIA,
DEPARTMENT OF COMMERCE, NEW DELHI.

SIR,

I am forwarding herewith for the information of the Government of India a report dealing with the work done by Mr. R. R. Saksena, the Indian Government Trade Commissioner, Japan, during the year 1938-39. This is his second report.

2. Chapter II of the report deals with the economic condition in general prevailing in Japan in the year under review. Chapter III refers to measures of direction and control enforced by the Japanese Government. In Chapters IV, V and VI detailed information is given in regard to the foreign trade of Japan, trade in the principal commodities and prices. Chapter VII contains a brief review of the important enquiries dealt with during the year under review. Chapter VIII deals with the office staff and other miscellaneous subjects.

3. In his introduction, the Indian Government Trade Commissioner, Japan, clears some misapprehensions regarding the scope of his duties. It is not a part of his duty to negotiate for the grant of agency rights to importers in India. The Trade Commissioner is not authorised to verify the correctness of export documents of any kind. Attestation of signatures affixed on documents prepared in Japan can be obtained on payment of a fee from the British Consulate concerned. In regard to the outstanding claims against Japanese merchants, the Trade Commissioner cannot receive money from parties in Japan in settlement of these claims and arrange for their remittance to India. Negotiations for the conduct of legal proceedings in Japan, if necessary, must be conducted by the parties themselves through their legal advisers.

4. It has been pointed out in Chapter V dealing with commodities that the export trade from India to Japan in the period

Reflecting the continued increase in the cost of living, the retail price index recorded a further advance of 1.9 per cent and represented a rise of 16.8 per cent as compared with the corresponding month of the preceding year. The cost of living index also accordingly moved up. The rise in retail prices was specially pronounced in the case of foodstuffs, affected no doubt by heavy floods in several parts of Japan since the beginning of July.

	August, 1938.	July, 1938.	August, 1937.
General Wholesale price index (December 10, 1931 = 100).	215.8	217.3	189.0
Retail price index (November, 1931=100) . . .	156.0	153.1	133.6
Cost of living index (July, 1937=100)—			
Working class	113.3	112.2	100.8
Salaried men	112.7	111.6	100.6

There was a general decline in the average raw cotton quotations at Osaka for the month of August. The downward tendency was more marked in the case of American cotton than the Indian, and during the last decade of the month Bengal and Akola made considerable rally. Spot prices average for the month at Osaka, Bombay and New York were as follows :—

	Broach.	Akola.	Bengal	Strict Middling.	Middling.
<i>Osaka.</i> —{ Highest	39.42	36.83	31.33	52.00	50.00
{ Lowest	38.08	35.58	30.33	51.00	49.00
<i>New York Bourse.</i> —American cotton per lb. (July sec.) { Highest				c. 8.71	
{ Lowest				c. 8.19	
<i>Bombay.</i> —Indian (Broach), July/August, sec. per candy { Highest				Rs. 153½	
{ Lowest				Rs. 139½	

Cotton Yarn market was very dull during the month and quotations declined in sympathy with the downward trend of raw cotton prices. The average price per bale of yarn was Y. 200.22 against Y. 200.91 for the preceding month and Y. 221.36 for August 1937. It was announced that the system of fixing maximum prices for cotton yarn would be discontinued from March 1939.

Owing to a shortage in the production of *rayon*, transactions in rayon yarn were restricted and prices remained almost in the same level as official maximum quotations. A noticeable increase in the volume of contracts for export to British India was observed during the month but transactions with other countries continued inactive. On September 3, the Rayon Manufacturers' Association of Japan came to a decision to abolish the production curtailment system and adopted in its place a system of production quotas which was applied retrospectively with effect from the beginning of

August. The production in August, according to this quota system, reached 124,044 boxes, and the total supply including these held in stock, aggregated 138,970 boxes. Quotation for rayon, 120 denier, average for the month of August, 1938, per lb. was Y. 90.00 (incidentally this was also the official maximum price). The average for the same month a year ago was Y. 65.65.

Raw silk quotations collapsed early in the month due to tense diplomatic relations with Soviet Russia and to the re-appearance of signs of depression in the U. S. A. Towards the end of August, prices moved up, but the market remained generally dull on account of pessimistic economic outlook in America. The average spot price for the month per bale was Y. 761.53 as compared with Y. 795.8 in the preceding month and Y. 841.95 in August 1937.

Iron and Steel market remained rather inactive owing to the shortage of stocks. Prices of steel bars and plates and of pig iron remained the same as in the preceding month. The following were the average prices :—

	August, 1938.	August, 1937.
Pig Iron per ton	88.50	88.60
Steel bars per ton	215.00	245.00
Steel plates per ton	265.00	301.67

September, 1938.

The wholesale price index for September showed a further decline of 0.8 per cent due primarily to the operation of the Government's price control measures and secondly to a decline in commodity prices abroad in certain directions. But the present level was still 13.0 per cent higher than a year ago. Of the 76 representative articles which constitute the basis for the Index used in this Report, prices of 23 articles declined, 18 articles advanced and 35 remained stationary. Increase was generally noticeable in those commodities which remained outside the scope of official control. Classified by groups, the most pronounced decline was witnessed in metals (9.8 per cent), fuel (1.9 per cent), textile materials (0.8 per cent) and textiles (0.7 per cent), while the greatest advance was made in foodstuffs (3.5 per cent), industrial chemicals (3.3 per cent), cereals (2.0 per cent), fertilizers (1.1 per cent) and building materials (0.1 per cent). Little progress was seen in the retail price index which registered only an increase of 0.6 per cent as compared with the previous month although it represented a rise of 15.0 per cent when set against September, 1937. The cost of living index was practically unchanged.

	September, 1938.	August, 1938.	September, 1937.
General Wholesale price index (Dec. 10, 1931=100)	213.8	215.6	189.2
Retail price index (Nov., 1931=100)	156.9	156.0	136.4

Displaying a bullish tendency during the first 10 days of the month, raw cotton prices at Osaka thereafter feebled down, but towards the last decade

all the American varieties and Broach amongst the Indian firmed up to some extent. The average for the month revealed a sharp decrease as compared with the two preceding months. The price at Osaka, Bombay and New York were :—

		Broach.	Akola.	Bengal.	Strict Middling.	Middling.
Osaka.	Highest . . .	37.75	35.67	29.83	50.92	49.08
	Lowest . . .	37.03	31.92	29.00	50.42	47.42
New York Bourse.—American cotton, July, sec. per lb.						
	Highest . . .				c. 8.24	
	Lowest . . .				c. 7.75	
Bombay.—Indian cotton (Broach), July-August, sec. per candy.						
	Highest . . .				Rs. 160	
	Lowest . . .				Rs. 150½	

Cotton yarn market continued inactive and quotations moved down further to Y. 198.67 per bale from the preceding month's Y. 200.22 in keeping with the declining tendency of raw cotton prices. The average price of cotton yarn in September, 1937, was Y. 242.45.

Little business activity was seen in the rayon market and export contracts in respect both of rayon yarn and rayon tissues continued dormant. Quotations of ordinary yarn were rather lower than the officially fixed maximum price owing to a poor demand and an accumulation of stocks, whilst yarns of special quality were, because of a shortage in supply, on the same level as the maximum price, i.e., Y. 90.00 per 100 lb. Total production of rayon yarn in September registered however an increase over the figure for August—the net increase being 1,452 boxes.

Raw silk prices showed a gradual recovery owing to an anticipated shortage of cocoons and to the signs of business prosperity in the United States. The actual crop of spring cocoons showed a decline of 10.2 per cent as compared with a year ago, and the summer and autumn crop is also expected to be reduced in view of lower silk quotations and heavy storm damage suffered by mulberry trees. The market was adversely affected temporarily by the danger of a war in Europe producing its natural repercussion in the American market. The average spot price per bale during September, 1938, was Y. 779.19. The price in the corresponding period a year ago was Y. 828.20.

Iron and Steel quotations had now become steady owing to the complete elimination of speculative activities as a result of strict price control exercised by the Government. Accordingly there was no departure from the price levels prevailing during August. The position in figures is as follows :—

	September, 1938.	August, 1938.	September, 1937.
	Yen.	Yen.	Yen.
Pig iron per ton	88.50	88.50	88.60
Steel round bar per ton	215.00	215.00	242.67
Steel plate per ton	245.00	245.00	285.00

Quotation of Cotton Piecegoods (during the three decades of July, August and September, 1938).

	Sheeting " Dragon C."		Drill "Qcese."		Jeans "Face."		Heavy Shirting "Soldier."		Heavy Shirting "McMauld."		44" Shirting "King."		30" Shirting "Ganko."		Cotton satcen Drill 5 Shafts 2" "Dragons."	
	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
July	0-550	0-460	0-400	0-400	5-200	5-100	7-850	7-800	7-300	7-250	9 000	8-450	12-350	12-100	0-22,250	0-22,000
	0-450	0-360	0-400	0-400	5-150	5-050	7-800	7-600	7-250	7-050	8-350	8-000	12-050	11-850	0-22,000	0-21,250
	0-350	0-300	0-400	0-400	5-100	5-100	7-600	7-600	7-050	7-050	8-000	8-000	11-850	11-450	0-21,250	0-20,500
August	0-300	0-300	0-500	0-450	5-100	5-100	7-600	7-600	7-050	7-000	7-900	7-800	11-450	11-000	0-20,600	0-20,500
	0-350	0-300	0-400	0-400	5-100	5-050	7-600	7-000	0-500	0-500	7-800	7-800	11-000	11-000	0-20,500	0-20,500
	0-300	0-250	0-400	0-350	5-050	5-050	7-000	7-000	0-500	0-500	7-800	7-800	11-000	11-000	0-20,500	0-20,500
September	0-250	0-250	0-350	0-300	5-050	4-000	7-000	0-900	0-500	0-300	7-600	7-550	10-000	10-800	0-20,500	0-20,500
	0-230	0-250	0-300	0-300	4-900	4-000	0-900	0-000	0-300	0-300	7-550	7-550	10-800	10-800	0 20,500	0-20,125
	0-250	0-200	0-300	0-300	4-800	4-750	0-850	0-700	0-250	0-050	7-550	7-100	10-800	10-100	0-10,875	0-10,750

Quotation of Cotton Yarn (during the three decades of July, August and September, 1938).

	20s Temple Hull.		20s Gold Fish.		16s 2 Deers.		16s Senmen.		30s 2 Deers.		32 1/2 2 deers.		42 1/2 Pheasants.		42 1/2 Crano and Deer.		60 1/2 White Phoenix.	
	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
July	215	210	212	208	210	197	200	196	207	203	201	286	330	326	..	..	407	402
	212	207	214	210	201	196	200	195	206	202	200	285	329	324	..	..	408	403
	234	209	209	206	193	195	197	194	204	201	237	284	326	321	..	..	374	363
August	211	204	209	202	199	191	197	190	203	256	236	279	326	319	..	..	474	469
	206	203	203	200	192	189	191	189	257	251	281	278	320	317	..	..	471	460
	205	201	202	201	192	190	191	189	257	257	280	280	321	320	..	..	467	466
September	206	201	203	198	192	187	191	186	258	254	282	277	322	318	..	..	467	462
	203	200	200	197	190	187	189	186	254	251	277	274	318	315	..	..	470	465
	204	200	202	197	191	187	190	186	255	251	279	274	319	315	..	..	472	465

Quotation of Raw Cotton.

	AMERICAN.						INDIAN.					
	Strict Middling.			Middling.			Broach.		Alcala.		Bengal.	
	Max.	Min.		Max.	Min.		Max.	Min.	Max.	Min.	Max.	Min.
July	51-75	52-75		52-75	50-75		42-00	40 00	39-00	37-00	32-75	31-00
	54-00	52-50		52-00	50-50		41-00	30-75	38-00	30-75	32-25	31-50
	53-50	52-50		51-50	50-50		41-25	30-75	38-25	37-25	32-75	31-75
August	52-75	51-25		50-75	40-25		40-25	38-75	37-25	30-00	31-75	30-75
	51-75	51-00		40-75	40 00		30-25	38-00	30-50	35-25	31-25	30-00
	51-50	50-75		40-50	48-75		38-75	37-50	30-75	35-50	31-00	30-25
September	51-50	51-00		49-50	40 00		38-50	37-50	30-50	35-50	30-75	29-50
	50-50	40-75		40-00	41-75		37-25	30-75	35-25	34-75	20-50	29-00
	50-75	50-50		48-75	48-50		37-50	37-00	35-25	34-50	20-25	28-50

October, 1938.

The wholesale price index which came down in September, rose again in October to the level of August, which was 14 per cent higher than the level which prevailed during October, 1937. The rise was mainly due to price advances in imported goods and in those commodities which had as yet escaped the guillotine of Government control.

The retail price index continued to advance and reached a level which was 16 per cent higher than a year ago. The increase was mainly due to dearer foodstuffs and miscellaneous commodities. The cost of living index, both for working class and salaried men, also showed a considerable advance as compared with the corresponding period of the preceding year, the increase being 10.5 per cent and 11.2 per cent, respectively.

—	October, 1938.	September, 1938.	October, 1937.
General wholesale price index (December 10, 1931=100).	215.6	213.8	189.1
Retail price index (November, 1931=100) . . .	159.0	156.0	137.6
Cost of living index (July, 1937=100)—			
Working class	113.2	113.2	101.8
Salaried men	112.5	112.6	101.8

Raw Cotton.—Spot quotations for raw cotton exhibited a firmer tone as compared with the preceding month, the American and the Chinese cotton showing considerable bearish tendency. The highest and the lowest points reached by the representative varieties were :—

	Strict Middling.	Middling.	Broach.	Akola.	Bengal.	Chinese.
Highest . . .	53.25	51.25	37.75	36.00	29.75	63.00
Lowest . . .	50.75	48.75	37.00	35.00	29.00	62.00

Cotton yarn and Tissues.—Cotton yarn quotations advanced in sympathy with higher cotton prices, but transactions continued inactive. The following were the quotations of certain representative qualities during the three decades of the month :—

Cotton yarn.

20s Temple Bell.		20s Gold Fish.		10s 2 Deers.		30s 2 Deers.		32/2 2 Deers.		42/2 Pheasants.		60/2 White Phoenix.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
208	205	206	203	105	102	263	261	237	233	327	324	473	468
208	203	206	206	105	105	263	263	237	237	327	327	473	473
211	206	200	204	103	102	267	265	230	233	330	323	485	478

Cotton Piecegoods.

Sheeting "Dragon O".		Jeans "Face".		4s Shirting "Ring".		30" Shirting "Gauko".		Cotton Sateen Drill 6 shafts 2 "Dragons".	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
0-200	0-200.	4-750	4-700	7-150	7-100	10-100	10-100	0-19750	0-19600
0-200	0-150	4-700	4-650	7-150	7-150	10-100	9-600	0-10500	0-10250
0-150	0-100	4-650	4-600	7-200	7-150	0-500	0-600	0-10250	0-19000

Rayon.—Prices showed a decline in anticipation of an increase in stocks (which however did not materialise) but some recovery was seen towards the end of the month. The average price for the month Y. 90.00 (for 120 denier per 100 lbs.) was nevertheless higher by Y. 23 as compared with that for October, 1937.

Raw Silk.—Quotations for raw silk increased in the beginning of October as a result of the peaceful solution of the European crisis, but moved downward towards the end of the month. The average for the month was Y. 827.19 per bale as against Y. 767.12 for October, 1937. The highest point reached was Y. 850.00.

Iron and Steel.—The Government control of prices was responsible for curbing slightly the quotations for steel products. The price of pig iron has remained pegged at Y. 88.50 for a long time past.

Per ton.

	October, 1938.	September, 1938.	October, 1937.
Steel products—			
Round bar, base	213.00	215.00	218.33
Ditto, plate, 4'×8'×8'	213.00	215.00	275.00

November, 1938.

The wholesale price index in November advanced slightly by about 0.4 per cent from the preceding month, but it was 13.9 per cent higher than the price level existing a year ago. This increase largely discernible in commodities not yet brought under official control, specially in agricultural products, was caused by poor crops. Of 76 commodities included in the price index, 14 declined, 24 rose, whilst 38 remained unchanged. Articles for domestic use moved up by 2.1 per cent whilst the increase in cotton and copper was balanced by declines in rubber, wheat and bean cake.

The retail price index gained by 0.8 per cent from the previous month but as compared with November, 1937, it recorded a rise of 16.6 per cent. Increase in the prices of foodstuff and miscellaneous commodities was the cause of this advance.

The cost of living index which showed a fractional decline from October was higher by 11.0 per cent and 10.3 per cent, respectively, for working class and salaried men, when compared with the position a year back. The reason for the inverse movement of cost of living and price index was ascribed to a difference in constituent prices and weights.

	November, 1938.	October, 1938.	November, 1937.
General wholesale price index (December 10, 1931=100).	216.4	215.6	199.0
Retail price index (November, 1931=100)	161.1	159.6	138.2
Cost of living index (July, 1937=100)—			
Working class	113.0	113.2	101.8
Salaried men	112.1	112.5	101.6

Raw Cotton.—There was a general advance of prices of raw cotton of all varieties. The upward movement was most marked during the last decade of the month. Increased mill demand was no doubt responsible for this tendency. The highest and the lowest levels per picul attained by the varieties were :—

			Strict Middling.	Middling.	Broach.	Akola.	Bengal.	Chinese.
Highest	.	.	54-00	52-00	40-00	37-50	32-00	73-00
Lowest	.	.	53-00	51-00	37-50	35-75	29-00	63-00

Cotton Yarn and Tissues.—What with the increase in the official prices and partly influenced by higher raw cotton quotations, the prices of cotton yarn showed a temporary ascendancy for a short while and thereafter declined in view of unfavourable conditions in the export trade. The export prices of cotton textiles showed considerable advance.

under review was generally discouraging. The general decline in the import trade of Japan was obviously the result of the restrictive policy which the Japanese Government had pursued since the commencement of the hostilities in China. But the reasons for the heavier decline in the Indian export trade with Japan, apart from special features relative to each individual commodity, are reported to be primarily two. In the first place the bulk of Indian exports consist of raw materials for peacetime industries and these suffered an eclipse during the last two years on account of the relatively greater importance of heavy industries in war time. Secondly exports from India consist of raw materials which Japan was able to replace partially in the case of raw cotton, and almost completely in the case of certain other agricultural products by imports from North China and Manchoukuo with which Japan constitutes the yen-bloc. As imports from the yen-bloc need not be paid for in foreign currency there is the strongest incentive for substituting Chinese and Korean for Indian products. Besides, it is generally presumed in Japan that, provided the prices offered are sufficiently low, it will always be possible to sell goods to India, and there is, therefore, no need to consider Indian susceptibilities on a basis of reciprocity in matters of trade. The consequence being that, whereas Japan is selling goods to India to the limit of her capacity under existing conditions, she buys from India only when and to the extent she must.

5. The position of certain commodities in the import trade of Japan from India, is summarised below :—

(1) *Raw Cotton*.—From the point of view of India's export trade in raw cotton with Japan the year under review stands out prominently as marking a record low level of imports in recent years. Whereas in the preceding year Indian cotton constituted 42·8 per cent of the total raw cotton imports into Japan her share in 1938 was only 25·9 per cent. Normally Indian raw cotton occupies more than 80 per cent of the total Indian sales to Japan, but in 1938 this was reduced to 65·7 per cent. As compared with 1937 Japan's imports of raw cotton from India during 1938 declined by 68·8 per cent. In the first quarter of 1939, however, Indian cotton showed substantial improvement as compared with the corresponding period of 1938, registering an increase of 40·2 per cent in quantity and 20·3 per cent in value. The Indian Trade Commissioner ascribes the following three main causes for the general fall in the imports of Indian cotton during 1938 :—

- (i) Japanese Government's general restriction policy. ^
- (ii) Banning of the manufacture of pure cotton cloth for domestic consumption through the "Link System" referred to in Chapter II of the Report.

Quotations of Cotton Yarn during the three decades of November.

204 Temple Bell.		203 Gold Fish.		103 2 Decra.		303 2 Decra.		32 2 Decra.		42 2 Pheasants.		60 2 White Phoenix.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
207	207	205	205	103	103	206	206	250	250	323	323	435	435
208	207	206	205	104	103	206	205	250	258	323	327	435	433
210	208	207	206	106	104	205	205	258	258	327	327	435	433

Quotations of Cotton Piecegoods during the three decades of November.

Sheeting "Dragon C".		Jeans "Face".		4 1/2 Shirting "Ring".		30" Shirting "Ganko".		Cotton Sateen Drill 5 shafts 2 "Dragons".	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
6-100	6-050	4-600	4-600	7-200	7-160	0-800	0-800	0-10000	0-10000
6-050	6-050	4-600	4-600	7-250	7-160	0-000	0-800	0-10000	0-18875
6-050	6-050	4-600	4-600	7-250	7-200	10-000	0-900	0-18875	0-18875

Rayon.—The enforcement of control of domestic consumption of rayon coupled with increased exports to yen-bloc countries, shortage of supply for export tissues and speculative buying—all these stimulated the price, the actual quotation attaining the maximum fixed by the Government, *i.e.*, Y. 90.00 per 100 lbs. The average for November 1937 was Y. 61.67.

Iron and Steel.—After a long period of inactivity, the price of pig iron moved up to Y. 89.00 per ton from Y. 88.50. During the month, the Japan Steel Products' Association reached an agreement to recommend a reduction in the prices of steel products for future deliveries.

(Yen per ton.)

	November, 1938.	October, 1938.	November, 1937.
	Yen.	Yen.	Yen.
Pig iron	89.00	88.50	88.50
Steel products, round bar, base	213.00	213.00	235.00
Ditto, 4'×8'× $\frac{1}{8}$ '	243.00	243.00	288.33

Raw Silk.—Raw silk quotation which rose during October on account of the reported reduced production and favourable business conditions in the United States, tended to decline because of an unexpected heavy decline in American consumption in that month. To what extent this was due to the boycott movement is difficult to estimate. The average price during November remained at Y. 808.23 per bale against Y. 718.70 in the same month of 1937.

December, 1938.

The wholesale price index this month moved up further by 0.6 per cent as compared with November, but it was 14.1 per cent higher when compared with December, 1937. The price rise was again most marked in respect of uncontrolled commodities, specially agricultural products. Out of 76 articles comprising the Index, 23 advanced, 8 declined and 45 remained stationary.

Retail prices advanced by 1.0 per cent from the preceding month but recorded a rise of 16.2 per cent when compared with December, 1937. Food-stuffs again led the advance, but in fact all groups of commodities showed an upward tendency. Such a rise was ascribed to the seasonal factors and to the fact that consumers' goods still largely escaped the official price control system.

The cost of living index which showed a decline in November moved upwards in December, the indices for workers and salaried men rising respectively by 0.3 per cent and 0.4 per cent. They were higher by 10.1 per cent

and 9·4 per cent when compared with a year ago. The rise in food and drinks was most prominent.

—	December, 1938.	November, 1938.	December, 1937.
Wholesale Price Index (December 10, 1931=100)—			
General	217·8	216·4	190·9
Domestic Commodities	167·6	164·2	153·0
International Commodities	229·1	228·2	199·4
Retail Price Index (November 15, 1931=100)—			
General	162·7	161·1	140·1
Foodstuff	152·4	150·3	136·7
Light and fuel	154·9	153·7	138·0
Clothing	201·2	200·0	152·3
Miscellaneous	163·3	161·7	139·8
Index of Cost of Living (July, 1937=100)—			
Workers	113·4	113·0	103·0
Salaried men	112·6	112·1	102·9

Raw Cotton.—Raw cotton spot quotations toned down generally during December, the lowest level reached was by the middle of the month. The following were the maximum and minimum quotations of the representative types.

	Strict Middling.	Middlings.	Broach.	Akola.	Bengal.	Chinese.
Highest	53·50	51·50	40·25	37·50	32·50	73·00
Lowest	51·50	49·50	38·50	35·75	30·75	58·00

Cotton Yarn and Textiles.—The weaker tone of raw cotton was perhaps responsible for the decline of cotton yarn quotations. Both export prices and domestic prices of cotton textiles also declined.

Cotton Yarn.

20s Temple Bell.		20s Gold Fish.		10s 2 Deers.		30s 2 Deers.		32/2 2 Deers.		42/2 Pheasants.		00/2 White Plank.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
210	206	208	203	107	102	265	260	233	233	327	322	485	480
207	207	205	205	104	104	202	202	235	235	324	324	485	435
211	200	208	206	108	195	264	202	236	234	325	323	487	473

Cotton Piecegoods.

Sheeting "Dragon C".		Jeans "Face".		44" Shirting "Ring".		30" Shirting "Ganko".		Cotton Sateen Drill 5 shafts 2 "Dragons".	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
6-050	6-050	4-600	4-600	7-200	7-200	9-800	9-750	0-18875	0-18750
6-050	6-050	4-600	4-550	7-200	7-200	0-750	9-750	0-18750	0-18750
6-050	0-000	4-550	4-550	7-250	7-200	0-700	0-700	0-18025	0-18250

Rayon.—The rayon market continued firm, quotations being on the level of official maximum prices. The shortage of supply was intensified by increased demand from manufacturers of rayon textiles for domestic use as the manufacture of pure cotton goods for such use was no longer allowed. The average price per 100 lbs. remained at Y. 90.00 against Y. 71.02 a year ago.

Raw Silk.—Raw silk quotations rose sharply from the middle of the month owing to larger demand from the U. S. A. The monthly average price struck was Y. 818.35, the highest level next to October (when it reached Y. 850) since September 1937. The shortage of supplies caused by the decrease in cocoon crops was the main reason for the firmness of the raw silk market. The average for the corresponding month of 1937 was 686.98.

Iron and Steel.—There was no change in the prices of pig iron and steel products. The market on the whole remained weak. The prices were the same as in the preceding month.

Quotations of Raw Cotton during the period October-December, 1938.

	AMERICAN.						INDIAN.					
	Strict Middling.			Middling.			Broach.		Akola.		Bengal.	
	Max.	Min.		Max.	Min.		Max.	Min.	Max.	Min.	Max.	Min.
October . . .	51.50	50.75		40.50	48.75		37.50	37.00	35.50	35.00	29.50	29.00
	52.00	51.50		50.00	40.50		37.50	37.00	35.75	35.25	29.75	29.00
	53.25	52.25		51.25	50.25		37.75	37.50	30.00	35.75	29.25	29.25
November . . .	53.25	53.00		51.25	51.00		37.75	37.50	30.00	25.75	29.50	29.00
	53.75	53.50		51.75	51.50		38.50	37.75	30.75	30.00	31.00	29.50
	54.00	53.50		52.00	51.50		40.00	38.50	37.50	30.75	32.00	31.25
December . . .	53.50	51.50		51.50	40.50		40.00	38.50	37.25	35.75	31.75	30.75
	51.75	51.50		40.75	40.50		30.75	30.50	37.00	30.75	32.00	31.75
	52.50	51.75		50.75	40.75		40.25	39.75	37.50	37.00	32.50	32.00

January, 1939.

The wholesale price index which continued to advance since October last maintained its progress with the advent of the new year, the index number registering an increase of 1 per cent as compared with the preceding month. But the index records an advance of 13·4 per cent when compared with the corresponding month a year ago. The rise in wholesale prices in January was mainly confined to uncontrolled commodities, which were the object of speculative buying and hoarding.

Retail prices declined in this month slightly for the first time since June 1938. The index of the cost of living further advanced by 0·9 per cent for workers and 0·8 per cent for salaried men—as compared with December 1938. They were however 9·6 per cent and 8·9 per cent respectively higher than a year ago.

	January, 1939.	December, 1938.	January, 1938.
Wholesale Price Index (December 10, 1931=100)—			
General	219·9	217·8	193·9
Domestic Commodities	170·0	167·0	152·5
International Commodities	231·1	229·1	203·3
Retail Price Index (November 15, 1931=100)—			
General	162·2	162·7	141·8
Foodstuff	151·7	152·4	138·8
Light and fuel	154·9	154·9	137·7
Clothing	200·0	201·2	155·8
Miscellaneous	164·1	163·3	140·6
Index of Cost of Living (July, 1937=100)—			
Workers	114·4	113·4	101·4
Salaried men	113·5	112·0	104·2

Raw Cotton.—The new year opened with a firmer tone in the raw cotton market, a general advance in prices being witnessed in all classes. Toward the end of the second decade of the month, however, the prices declined slightly.

Quotation of raw cotton during the decades of January, 1939.

S. Middling.		Middling.		Broach.		Akola.		Bengal.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
53·00	52·00	51·50	50·50	41·00	40·25	37·50	36·75	32·00	31·25
52·25	52·00	50·75	50·50	40·25	40·25	36·75	36·75	31·25	31·25
52·00	51·00	50·50	49·50	40·00	38·75	36·50	35·25	31·25	30·00

Cotton Yarn and Tissues.—Cotton yarn quotations also advanced in sympathy with higher raw cotton prices. Prices for cotton tissues showed some recovery owing to the introduction of the export promotion plan and to the reluctance of spinners to sell their products at low prices.

Quotations of Cotton Yarn during the three decades of January, 1939.

20s Temple Bell.		20s Gold Fish.		16s 2 Decrs.		30s 2 Decrs.		32 1/2 2 Decrs.		42 1/2 Pheasants.		42 1/2 Crane and Deer.		60 1/2 White Phoenix.		10s. Scamen.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
212	210	210	207	199	196	205	202	238	235	329	323	331	323	402	402	198	195
211	209	208	207	196	196	204	202	236	235	325	323	330	323	402	453	197	195
209	209	207	207	196	196	202	202	235	235	324	324	331	329	453	453	195	195

Quotations of cotton piecegoods during the three decades of January, 1939.

Sheeting "Dragon C".		Drill "Geese".		Jeans "Faco".		Heavy Shirting "Soldier".		Heavy Shirting "Mermaid".		44" Shirting "King".		44" Shirting "Compass".		30" Shirting "Ganko".		Cotton Sateen Drill 5 Shirts 2 "Dragons".	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
6-00	6-00	6-15	6-15	4-65	4-65	6-35	6-30	5-75	6-75	7-25	7-25	5-20	5-20	0-80	9-70	0-133	0-133
6-00	6-00	6-10	6-10	4-65	4-60	6-40	6-35	5-80	5-75	7-40	7-30	5-50	5-20	10-60	10-00	0-134	0-133
6-00	6-00	6-20	6-10	4-65	4-65	6-40	6-40	5-80	5-80	7-45	7-45	5-60	5-40	10-60	10-00	0-135	0-135

Rayon.—The market was sluggish as a result of the enforcement of distribution control of rayon yarn. The consumption quota of rayon for Japan Proper and the yen-bloc countries in February was fixed at 114,000 boxes which was covered by the production of 85,000 boxes and the release of stocks of 29,000 boxes. There was no change in the officially fixed price which was pegged at Y. 90-00 per 100 lbs.

—	January, 1939.	December, 1938.	January, 1938.
	Yen.	Yen.	Yen.
Rayon, average, 120 denier, per 100 lbs. . . .	90-00	90-00	72-70

Raw Silk.—Raw silk prices rose remarkably owing to active demand in the domestic market, reaching Y. 895 at the end of the month, the highest record since July 1937. Speculative transactions indulged in on account of the exemption of the commodity from the official price control was mainly responsible for this increase.

—	January, 1939.	December, 1938.	January, 1938.
	Yen.	Yen.	Yen.
Raw silk, Yokohama average spot, " D ", per bale	864-55	818-35	682-27

Iron and Steel.—The iron and steel market was comparatively inactive and the prices remained stationary.

<i>Per ton.</i>	January- 1939.	December, 1938.	January, 1938.
Pig iron	89-00	89-00	88-50
Steel products, round bar, base	213-00	213-00	215-00
Plate, 4'×8'× $\frac{1}{8}$ '	243-00	243-00	366-67

February, 1939.

The wholesale prices showed a substantial advance in February, the general index rising by 2.4 per cent to a level 13.5 per cent higher than a year ago. Of 76 commodities included in the index, 24 rose and only 7 declined in prices. The advance as usual was confined to uncontrolled commodities.

The retail price index which declined in January again showed a rising tendency. There was an advance of 1·4 per cent which represented however a rise of 12·4 per cent when compared with the corresponding period a year ago. The advance in clothing was most conspicuous with 5·2 per cent. The cost of living also increased by 0·8 per cent for workers and 1·0 per cent for salaried men and these represented increases, respectively, by 9·0 per cent and 8·6 per cent when compared with a year ago.

—	February, 1939.	January, 1939.	February, 1938.
Wholesale Price Index (December 10, 1931=100)—			
General	225·1	219·9	198·3
Domestic Commodities	174·8	170·0	152·2
International Commodities	236·6	231·1	208·7
Retail Price Index (November 15, 1931=100)—			
General	164·4	162·2	146·2
Foodstuff	151·7	151·7	139·5
Light and fuel	154·9	154·9	142·3
Clothing	210·5	210·5	179·1
Miscellaneous	165·6	165·6	143·0
Index of Cost of Living (July, 1937=100)—			
Workers	115·3	114·4	105·8
Salaried men	114·6	113·5	105·5

Raw Cotton.—There was a general fall in the raw cotton prices during the first two decades of the month. The quotations however rallied towards the end of February.

Quotations of raw cotton during the three decades of February, 1939.

S. Middling.		Middling.		Broach.		Akola.		Bengal.	
Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.
51·00	51·00	49·50	49·50	38·75	38·75	35·25	35·25	30 00	30 00
51·50	51·00	50 00	49·50	38·75	38·25	35·25	34·75	30 00	29·50
52·25	51·50	50·75	50·00	38·75	38·50	35·25	35 00	30 00	29·75

Cotton Yarn and Tissues.—Prices of cotton yarn declined owing to the reduction in the official maximum price. Tissues registered an advance in view of higher cost of production.